CITY UNION BANK

CIN - L65110TN1904PLC001287
Regd. Office, No. 149, TSR (Big) Street, Kumbakonam - 612 001.
Phone : 0435 - 2432322 : Fax : 0435 - 2431746
E-mail : shares@cityunionbank.com : Website: www.cityunionbank.com

CUB
TRUST AND EXCELLENCE
SINCE 1904

C.O/Shares/LR-5/2018-19

06th September, 2018

National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
Bandra-Kurla Complex,
Bandra (E),
Mumbai 400 051

BSE Ltd.
DCS – CRD
Phiroze Jeejeebhoy Towers
25th Floor, Dalal Street
Mumbai 400 001

Scrip Code: CUB

Scrip Code: 532210

Dear Sir,

Sub: Intimation u/r 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (listing regulations)

Pursuant to Regulation 34 of SEBI (LODR) Regulations, 2015, we enclose herewith the Annual Report of our Bank for FY 2017-18.

This is for your kind information and records please.

Thanking you

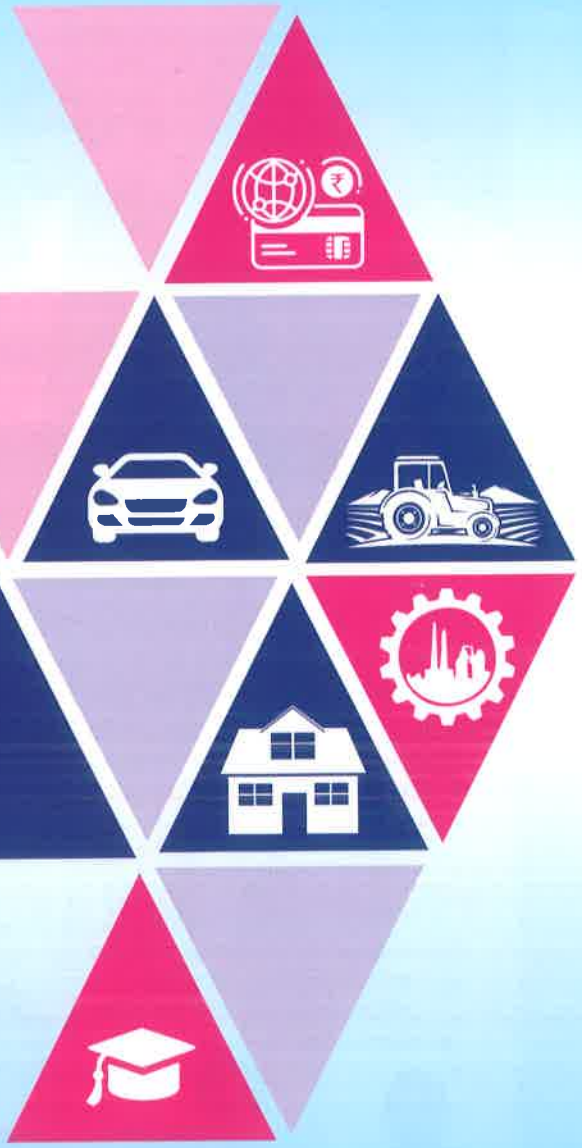
Yours faithfully
for **CITY UNION BANK LTD.**

(V Ramesh)
General Manager – CFO & CS

CITY UNION BANK LTD. CENTRAL OFFICE, KUMBAKONAM

CERTIFIED TRUE COPY
For CITY UNION BANK LTD.,
Company Secretary

Annual REPORT 2017 - 18



CUB
Trust and Excellence
SINCE 1904

CITY UNION BANK LIMITED

Your moment of glory!



Shri. R. Venkatasubramanian, CGM & COO, City Union Bank receiving from our Hon'ble Minister of Road Transport & Highways Shri Nitin Gadkari, the ***"FINANCIAL EXPRESS INDIA'S BEST BANK AWARD"*** for FY 2015-16 (Third Year in a row) in the category of Old Private Sector Bank (Winner) at the function held in December, 2017.



Shri. K.P. Sridhar, SGM, City Union Bank receiving the award: ***"BW Businessworld Magna Best Banking Awards"*** in association with PwC in the category of ***'Best small-sized Bank'***

We take pleasure in dedicating the awards to our stakeholders

Table of Contents

Contents	Page No.
CSR Initatives	6
Director's Report	17
Annexure to Director's Report	29
Business Responsibility Report	54
Corporate Governance Report	63
Management Discussion & Analysis Report	86
Auditor's Report	95
Balance Sheet	100
Profit & Loss Account	101
Schedules to Accounts	102
Cash Flow Statement	142
List of Branches	144
BASEL III Disclosures	147
Decade of Progress	174

Statutory Central Auditors

M/s. Sundaram & Srinivasan,
Chartered Accountants,
New No.4, Old No.23, C P Ramaswamy Road,
Alwarpet, Chennai - 600018.

Secretarial Auditors

M/s. B.K. Sundaram & Associates,
Practising Company Secretaries,
30, Pandamangalam Agraharam,
Woriur, Tiruchirapalli - 620 003.

Registrar & Share Transfer Agents

Karvy Computershare Private Limited
(Unit : City Union Bank Limited)
Karvy Selenium Tower B
Plot No : 31 & 32
Financial District, Gachibowli,
Nanakramguda, Serilingampally
Hyderabad - 500 032 India.
Phone: +91 40 67161509
email: einward.ris@karvy.com

Registered Office

149, T.S.R (Big) Street,
Kumbakonam - 612 001.
Phone: 0435 - 2432322
e-mail: shares@cityunionbank.com
Website: www.cityunionbank.com

Administrative Office

"Narayana", No. 24-B, Gandhi Nagar,
Kumbakonam - 612 001.
Phone: 0435 - 2402322, 2401622, 2402412
Fax: 0435 - 2431746
e-mail: shares@cityunionbank.com
Website: www.cityunionbank.com

Customer Call Center

044 - 71225000, 7299075077 / 78 / 79 / 80 / 81 / 82
e-mail: customercare@cityunionbank.com

BOARD OF DIRECTORS



CHAIRMAN
S. MAHALINGAM
B.Com (Hons.), F.C.A.



MD & CEO
Dr. N. KAMAKODI
B.Tech., MBA, CAIIB, Ph.D.



Prof. V. KAMAKOTI
B.E., M.S., Ph.D.



R. MOHAN
B.Sc., MBA., CAIIB.



ABARNA BHASKAR
B.A., F.C.A.



M. NARAYANAN
B.Sc., Grad CWA., F.C.A., DISA.



S. BERNARD
B.Com., F.C.A.



N. SUBRAMANIAM
PGDM-IIM(A), F.C.A., F.C.S., CWA.



V.N. SHIVA SHANKAR
B.Com., B.L., A.C.S., AICWA.



Dr. T.S. SRIDHAR I.A.S. (Retd.)
MA., Ph.D.

SENIOR EXECUTIVES



R. VENKATASUBRAMANIAN
Chief General Manager



K.P. SRIDHAR
Senior General Manager



V. RAMESH
General Manager



K. MAHARAJAN
General Manager



S. MOHAN
General Manager

DEPUTY GENERAL MANAGERS



R. KRISHNAN



S. RAMESH



R. SUBRAMANIAN



S. RAJAM



J. SRIDHARAN



J. RAMASAMY



G. SANKARAN



V. GOPALAKRISHNAN



K. JAYARAMAN



C. GANESAN



R. RAJARAMAN



R. LAKSHMINARAYANAN



R. BALAJI



V. GANESAN

ASSISTANT GENERAL MANAGERS

RAJASEKARAN J
VENKATESH S
SUBBARAMAN R
RAVI V
GANESAN J
BALACHANDAR K V
SUNDARARAMAN G
ELANGOVAN T K
RAVICHANDRAN R

CHANDRASEKAR J
VENKATESAN S
MOHAN S
THOTA VENKATASARAVANAN S
RAJA B
VENKATAKRISHNAN K
SWAMINATHAN K
SADAGOPAN J
BALASUBRAMANIAN R

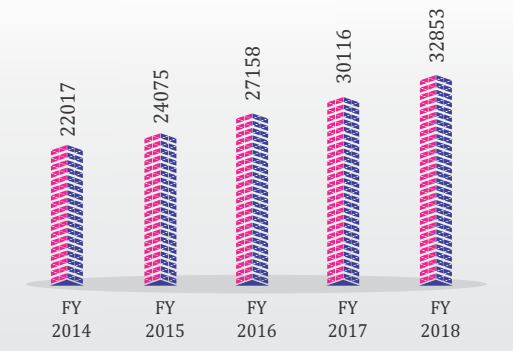
RAJARAMAN P
GANESH B
NARAYANAN R
RAMESH KUMAR S
SIVAKUMAR V
GURUMURTHY V
KUMAR RM
DEVNATHAN V
GANESAN S

UMA R
SURESH V K
DURAI J
SURESH T V
KANAGASUNDARAM G
GANESAN V
VENKATESWARAN B
SADIQ BATCHA I

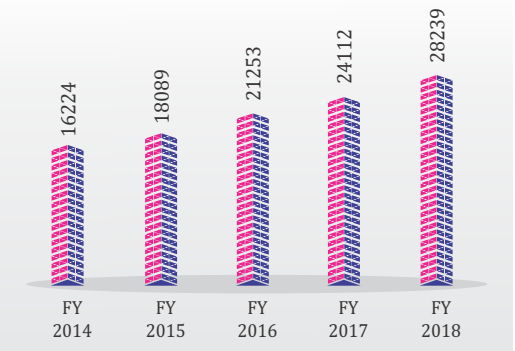
CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

V. RAMESH

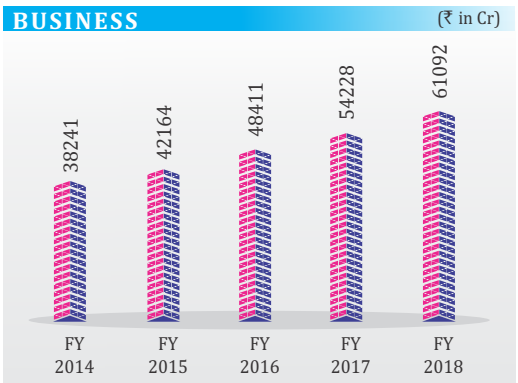
DEPOSITS (₹ in Cr)



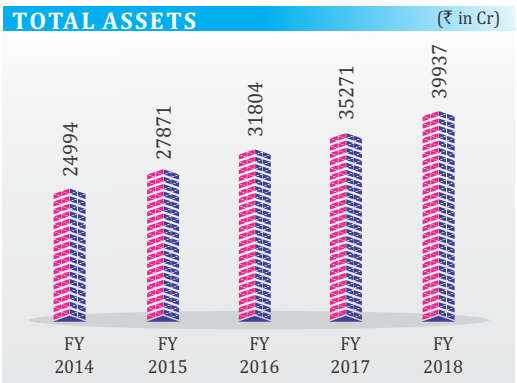
ADVANCES (₹ in Cr)



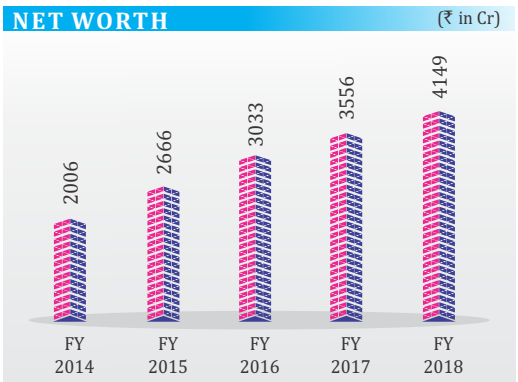
BUSINESS (₹ in Cr)



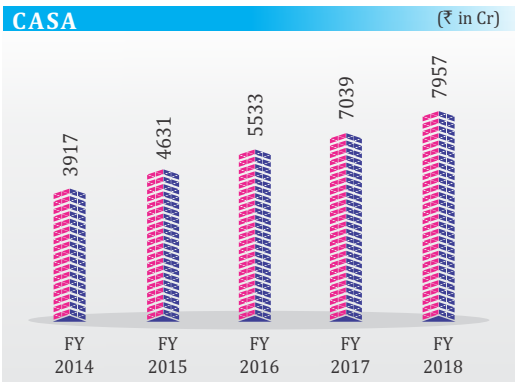
TOTAL ASSETS (₹ in Cr)



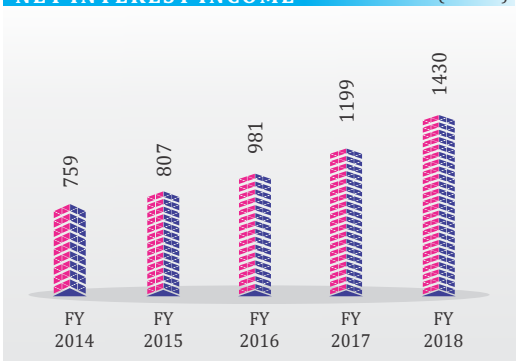
NET WORTH (₹ in Cr)



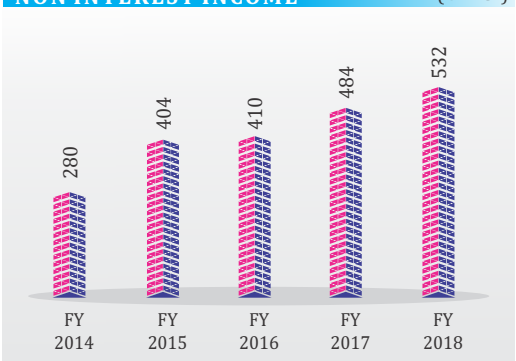
CASA (₹ in Cr)



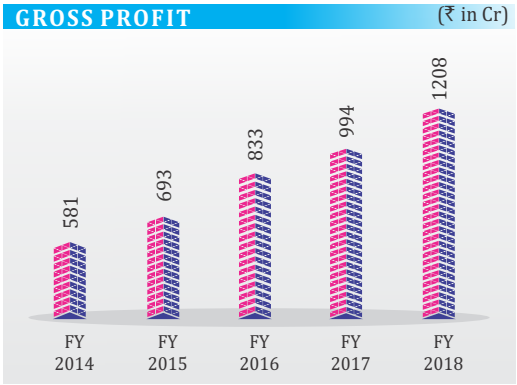
NET INTEREST INCOME (₹ in Cr)



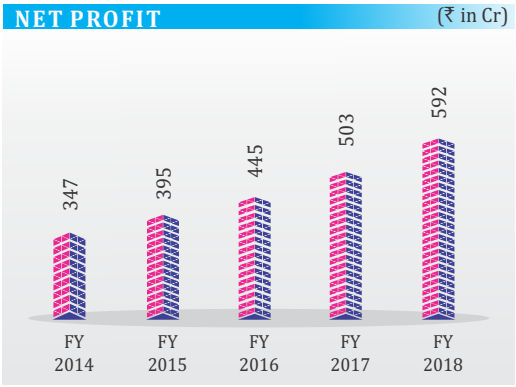
NON INTEREST INCOME (₹ in Cr)



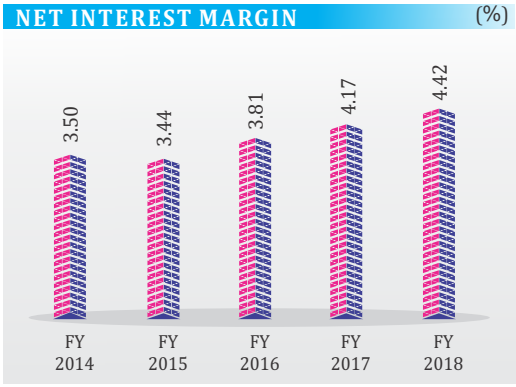
GROSS PROFIT (₹ in Cr)



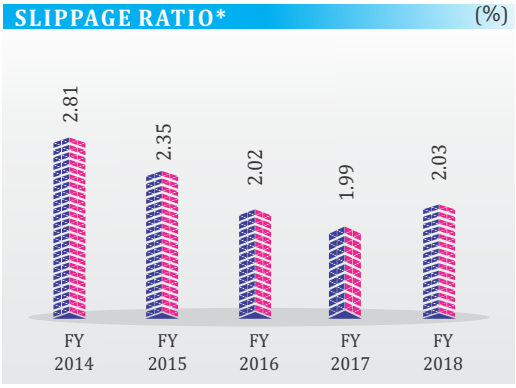
NET PROFIT (₹ in Cr)



NET INTEREST MARGIN (%)

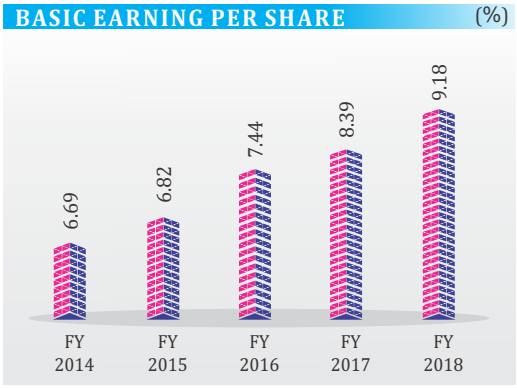


SLIPPAGE RATIO* (%)

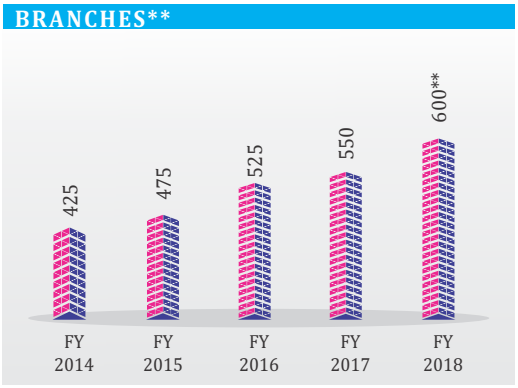


* Slippage ratio to closing advances

BASIC EARNING PER SHARE (%)

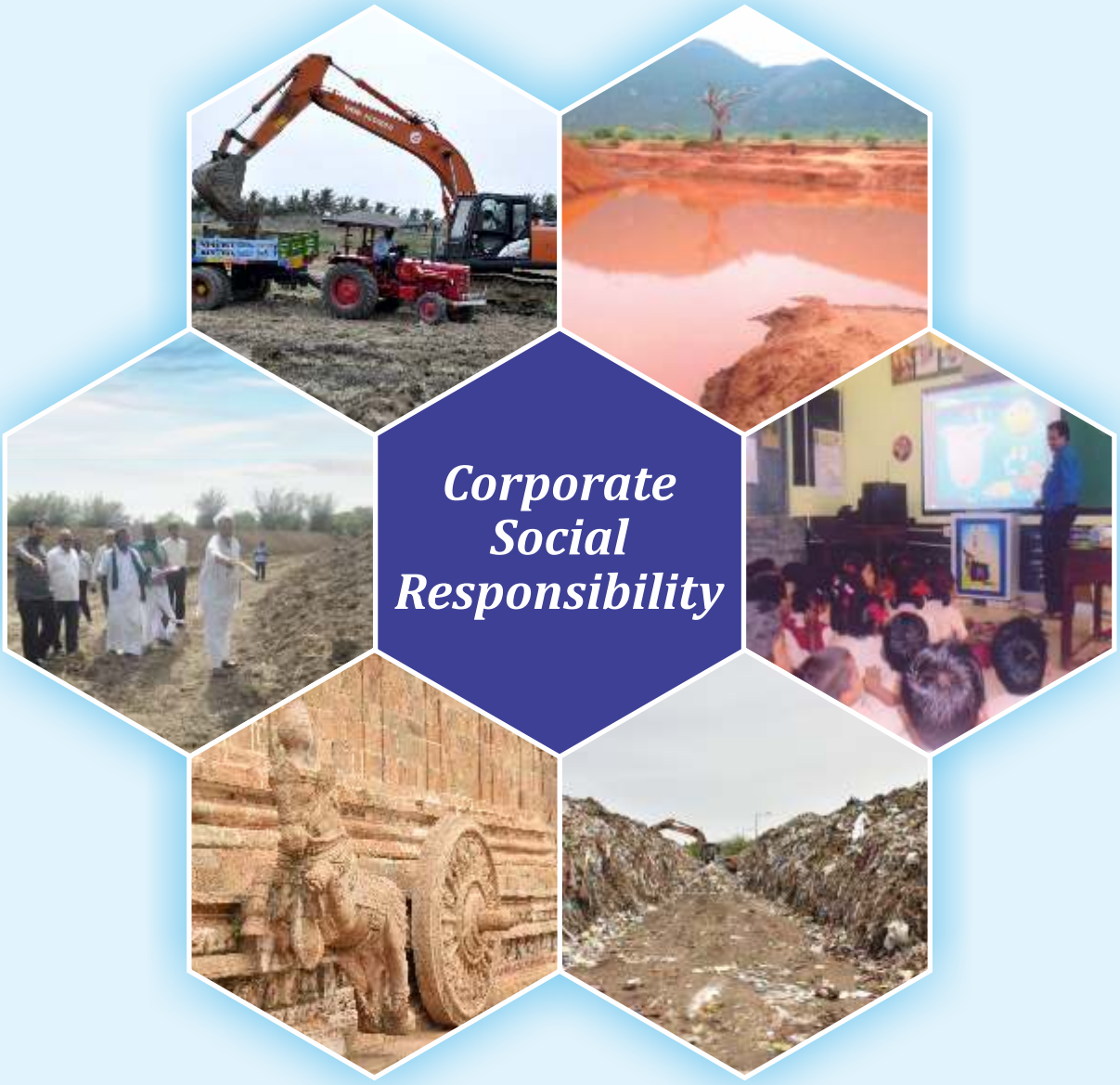


BRANCHES**



** Including Banking outlets

SUSTAINABLE LIVELIHOOD



" We share as we care for a Better Tomorrow "

The most apt definition of **Corporate Social Responsibility (CSR)** has been put forward by the "United Nations Industrial Development Organization (UNIDO)" and it is as follows.

> *"Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives....."*

The Banks and Companies have also understood that their reputation gets enhanced when consumers and the people at large in the country feel that a Bank or business house is a responsible co-citizen of the world.

CUB - AN OLD PATRON OF CSR ACTIVITIES

City Union Bank has been substantially contributing to the development of the society and for the betterment of the under privileged sections long before the advent of the mandatory provision of Section 135 of the Companies Act, 2013. The Bank has always given special importance to the welfare of the society which it serves with due regard to the well being of all its stakeholders and environment since its inception. CSR has always been an integral part of the Bank's business. Your Bank has been promoting for long - Rural sports, Culture & Heritage and will continue to do so. Your Bank has always been in the forefront in undertaking socio-developmental activities in and around Kumbakonam where it is headquartered, apart from its regular contributions towards the same in other places.



CUB FOUNDATION

The Bank constituted a Non-Profit Trust in the name of "CUB Foundation" which primarily identifies, recommends and oversees the CSR activities approved by the CSR Committee, to which it reports. The Foundation came into being on 7th November, 2014. The Trustees administer the Trust in accordance with the policy and guidelines laid down by the Board of Directors on CSR. Since inception, the CUB Foundation has been taking up causes which are of critical importance to the community and its pioneering work in the field of CSR has contributed immensely to the betterment of the society.

CSR COMMITTEE OF THE BOARD

In accordance with the provisions of the Companies Act, 2013 and the allied Notifications issued by the Ministry of Corporate Affairs, the Bank has constituted a Corporate Social Responsibility Committee which formulates and recommends to the Board, a Corporate Social Responsibility Policy of the Bank and the activities to be undertaken by the Bank in accordance with Schedule VII of the Companies Act, 2013. The CSR Committee also carries out continuous and ongoing monitoring of CSR activities of the Bank and recommends the amount of expenditure to be incurred towards each line of activity.

CSR POLICY

As per the provisions of Section 135 read with Schedule VII of the Companies Act, 2013, the Bank has framed an extensive CSR Policy w.e.f., 1st April, 2014 containing the following permissible activities:

- Swatch Bharat Mission
- Eradication of hunger, poverty and malnutrition.
- Preventive Health.
- Providing Safe Drinking Water.
- Promoting Gender Equality & Women empowerment.
- Devising schemes for the benefit of Defense Forces and war veterans, widows & their dependants.
- Promotion of Rural Sports, Nationally recognized Sports & Paralympics Sports.
- Promotion of Special education for the weaker sections through enhancement of Vocational Skills.
- Rural Development Projects.
- Restoration and Protection of Monuments and sites of National Heritage and Historical Importance.
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central or State Government for socio - economic development, welfare of the scheduled castes and scheduled tribes, minorities, weaker sections and women.
- Protection of the environment, Flora and fauna, conservation of natural resources, water and soil conservation.

"CUB CSR - A Continuing Social Journey aiming at Sustainability"



Our ancestors laid down as a dictum that one should not live in a place where there are no temples (கோவில் இல்லா ஊரில் குடி இருக்க வேண்டாம்). It is fortunate that CUB operates in a town which is popularly called the "Temple City of Tamil Nadu" surrounded by good number of ancient temples. Further, the famous holy event 'MAHAMAHAM' is celebrated once in 12 years here, the last being held during the year 2016. The town is located in the district of Thanjavur which is known as "Granary of Tamil Nadu". Taking all these into account CUB dedicated itself to several measures for the improvement of Agriculture viz. water conservation, de-silting activities etc. Further, your Bank being a century old Bank understands and respects the cultures, values and a tradition inherited from previous generations and is keen on the protection of heritage structures of archaeological importance. Your Bank keenly supports and contributes towards the Swatch Bharath Mission promoted by the Govt. of India.



CUB's Environment Care Initiatives

WATER CONSERVATION & MANAGEMENT

There was a time Kumbakonam and all its surroundings were replete with water resources but over a period they have become dry and today the ground water level is on a declining trend and farmers have to depend on borewells for their irrigation needs. The year 2016 was a significant year for Kumbakonam town on account of "Mahamaham" - The Kumbh Mela of South India. As a key community member, the Bank as part of promotion of top objectives of Niti Aayog of the Govt. of India, took the initiative to conserve soil and water in and around Kumbakonam region to have a greater positive impact on the lives of people.

In order to conserve water resources, the Bank has implemented important projects for cleaning, desilting and deepening of various lakes such as Watesamangalam, Valampiran, Semmangulam, Kizhapattu, Edannavasal and Paruthikottai in association with the Cauvery Delta Farmers Association and also in the presence of well known waterman Shri Rajendra Singh of Rajasthan, thereby facilitating the free flow of surplus water into the Bamini River Bed in Mannargudi District.





These initiatives bore rich fruits even before its full completion and with the advent of bountiful rains it not only helped in retaining water and filling up the lakes but also assisted in draining the surplus water into the Bamini River, thereby preventing floods and enabling the celebration of water festival in Tamilnadu i.e., "ஆடிப்பெருக்கு" in the year 2017 in those areas after many years. The Bank also undertook desilting of water tanks near Kumbakonam so as to get the benefit of improved water level in and around nearby areas.







The Bank recharged / cleansed various ponds and tanks in Kumbakonam viz., Seikulam, Banadurai, Cauvery Baghwat padithurai (footsteps), Pidarikulam, Pachayappa tank, Biragithoppu tank etc., in order to conserve the water level and soil quality. In addition, the Bank has constructed and renovated water tanks in various temples and residential areas around Kumbakonam for the welfare of the society.

The positive effect of the CSR initiative was felt by the public after the rain during Nov-Dec 2017 thereby increasing the level of water in such canals / water bodies. The Bank received warm appreciation from various stakeholders.

Your Bank has also contributed towards creation of percolation ponds, repair of check dams, bunds formation and cleaning up of the supply channels at Kumaran Kuttai, located in Karadimadai Mathampatti Village - Coimbatore, in association with the Rotary Club of Coimbatore, Metropolis Trust and "Siruthuli" an NGO involved in public service. This has helped to restore 35 lakhs cubic feet of water which has proved to be immensely useful to the farmers for increasing their agricultural output and recharge of groundwater levels. This project titled as "Kumaran Kuttai" which commenced in June 2017, paved the way for implementation of watershed concepts including agro-forestry. The existing seven check dams were repaired wherever necessary and further strengthened. The check dams are used as surplus weirs for each percolation ponds. Existing supply channels were cleaned and run-off water was diverted from elephant proof trenches (EPT) to the supply channel.

Major Impact:

- Stagnation and Percolation of Rain Water in addition to preventing soil erosion.
- Recharge of Ground water table.
- Waterhole for domestic and wild animals.





"Clean City Green City"

SWATCH BHARAT MISSION

City Union Bank dedicates itself to various initiatives of the Government of India including promotion of "**Clean India Green India**" initiative under the Swatchh Bharat Mission. The Bank has carried out various activities, which include:

- Construction of Bio Toilets
- Cleaning and Maintenance of water tanks
- Construction and Maintenance of Parks - Green initiative
- Conservation of Flora and fauna
- Construction of toilets at various public schools in Tamil Nadu



During the year of Mahamaham 2016, your Bank considering the importance of sanitation installed bio-toilets in Kumbakonam and nearby villages wherever required.

The people of Kumbakonam very much appreciated the



efforts of the Bank for its dedication in upgrading and maintaining sanitary conditions in town and offering food and water to the devotees who thronged the town in lakhs during that occasion. With a view to ensuring a cleaner environment the Bank helped a lot to make it a plastic-free Mahamaham.

Your Bank has contributed towards the construction of toilets at Thiruvaiyaru (35 km from Kumbakonam) in the Thiyagabrahma Mahotsava Sabha complex where the world famous Thiyagaraja Aaradhana Festival takes place every year to honor the great Music Saint Thiyagaraja. It is a week-long festival in which thousands of musicians participate to pay homage to the Saint.

During the year 2017-18, the Bank has contributed towards construction of Individual Household Latrine Application (IHHL) under the Prime Minister's Swatch Bharat Scheme through various Municipalities throughout Tamil Nadu. Besides IHHL, the Bank has financially aided for the construction of toilets and installation of water purification systems at Government Schools and Private Management schools.



Solid Waste Management

"From Solid Waste to Clean Environment"





CUB has always been keen in spreading the awareness among public in dealing with waste management. The Bank, taking into consideration the public health & environmental concerns joined hands with the Kumbakonam Municipality by financially supporting the Public Health projects in and around the town. Your Bank financially aided a "Solid Waste Recycling" project at Karikulam, Thanjavur Dist., where solid wastes had been dumped for over 23 years covering 12 acres of land.



"From Solid Waste to Renewable Energy"

Solid Waste Management System was almost absent around the town which resulted in landfills and heaps of unattended waste. There arose an emergent need to prevent hazardous issues confronting the public and the environment as a whole. The process of solid waste management involves the conversion of the waste into bio-gas which helps in generation of power.

Your Bank is also undertaking continuous efforts in creating awareness on the disposal of household wastes which aims to create awareness among general public by propagating the source segregation - Degradable and Non-Degradable. The Bank has facilitated the use of separate dust bins for disposal of dry and wet wastes, in collaboration with Kumbakonam Municipality.

CUB has provided Steel Community Bin to Arulmigu Shri Mariamman Temple, Samayapuram for removal of wastages and garbage from the Temple premises.

MAJOR IMPACT:

- Clean and Fresh Environment
- Conservation of Energy
- Reduction in Environmental pollution
- Liberation of dumped Landfills



CUB's Social Care Initiatives



"Cub Cares
For Ur Well - Being"



HEALTHCARE

The Bank supported a number of initiatives and activities viz.,

- Construction of additional building and procurement of operation theatre equipment to Coronation Hospital run by Kumbakonam Municipality, under Preventive Health Care.
- Provision of Health and Family Welfare Training Centre, Chennai for the Training and Catering needs of Medical Officer's and other Para Medical Staff for Preventive Health Care.
- Ambulance Van for the use of the inhabitants of Tirupur and Koduvai through the Rotary Club of Tirupur.
- Ambulance Van for Smt. Parvati Devi Hospital - Amritsar, Punjab.
- Ambulance and lift for Sacred Heart Hospital, Kumbakonam



- Construction of Hospital Building and its maintenance at Annai Aadhuraham, Kumbakonam.
- Purchase of Fogging Sprayer machines to Commissioner, Kumbakonam Municipality, to control breeding of mosquitoes and preventing Dengue and other fatal diseases.
- Financial assistance for Water Purification Systems
- Providing of Safe Drinking Water



"We Preserve the Past for the Future"

HERITAGE & ART

As said earlier, the town has a rich cultural heritage and for the upkeep of the tradition the Bank has provided financial assistance towards renovation and maintenance activities at various heritage sites of archeological importance in and around the town. Your Bank has always been in the forefront for the protection of National Heritage, Art & Culture including restoration of ancient structures and monuments of national importance.

COMMUNITY CAUSES

Our Bank has provided financial assistance to the following activities for the benefit of common public.

- Installation of Additional CCTV Cameras at various places in Kumbakonam for monitoring and regulating heavy traffic. Also, such facility has been provided during the Cauvery Mahapushkaram Festival 2017 held at Mayiladuthurai .



- Donation to the Southern Railway for providing infrastructure facilities to passengers in Velankanni Railway Station.
- Donation to the Old age home at Thillaiambur for providing various facilities to senior citizens and home maintenance.



- The Bank as part of the financial inclusion measures has widened its reach in remotest of the remote villages using the model of Business Correspondents and has promoted financial education in the target community and catered to the financial needs of small businessmen. Towards the promotion of quality education, the Bank has contributed towards construction of smart class rooms and class rooms at schools, purchase of computers besides special initiatives for girl students 'I Support A Girl' viz., education support and self sustenance programs through United Way India - a non-profit organization based at Chennai.





AIR CONDITIONED BUS-STOPs

The Bank was the first private sector Bank to promote and install Air Conditioned Bus stops in Tamilnadu visualizing the comfort of the commuting public to overcome the scorching heat during summer.

"Promoting Technological Entrepreneurship"



TECH INCUBATORS

The Bank has funded for a project on low cost Financial Analytics (FINAL) platform for Banks and Insurance Companies to IIT Chennai which will serve as an alternative to proprietory products for Financial Institutions. The project is headed by Dept. of Computer Science & Engineering, IIT Chennai and is under testing phase. It will benefit start ups that can become implementation partners. FINAL will be available free of cost to Financial Institutions as a basic infrastructure platform on Linux Software.

Conclusion

The contribution of Banks and Financial Institutions to sustainable development is paramount, given the important and crucial role they play in Financing and in Developmental activities. In this context, the Banks role to act as responsible corporate citizens of this world needs no emphasis. City Union Bank's activities have always reflected its concern on social and environment aspects and the Bank will continue to do so by playing a key role in the coming years in the field of CSR & Financial Inclusion.

Directors' Report



Dear Shareholders

The Board of Directors of your Bank is pleased to present the Annual Report on business and operations of the Bank together with the Audited Financial Statements for the Financial Year ended 31st March, 2018.

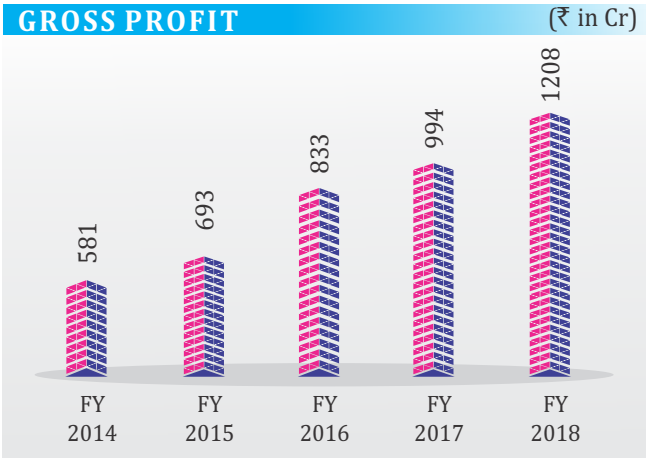
Financial Highlights

(₹ in crore)

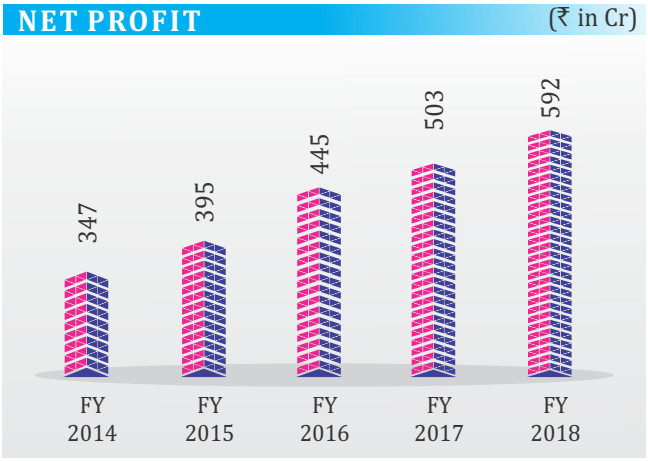
Particulars	2017-18	2016-17	Growth (%)
Share Capital	66	60	10%
Reserves & Surplus	4,097	3,510	17%
Deposits	32,853	30,116	9%
Advances (Gross)	28,239	24,112	17%
Investments (Gross) *	8,015	7,082	13%
Total Assets / Liabilities	39,937	35,271	13%
Total Income	3,935	3,658	8%
Total Expenses	2,727	2,664	2%
Net Interest Income	1,430	1,199	19%
Operating Profit	1,208	994	22%
Provisions & Contingencies	616	491	25%
Net Profit (A)	592	503	18%
Appropriations			
Balance of Profit brought forward (B)	33	7	—
Amount available for appropriations (A+B)	625	510	—
Transfers to:			
- Statutory Reserve	150	130	—
- Capital Reserve	29	27	—
- General Reserve	334	275	—
- Special Reserve under IT Act, 1961	50	45	—
- Dividend & Dividend Tax	** 24	0	—
- Balance of Profit carried forward	38	33	—
Total	625	510	—

* the figures of the previous year have been regrouped / reclassified wherever necessary.
** Paid during FY 2018 pertaining to FY 2017 as per MCA notification on revised AS 4 dated 30th March, 2016.

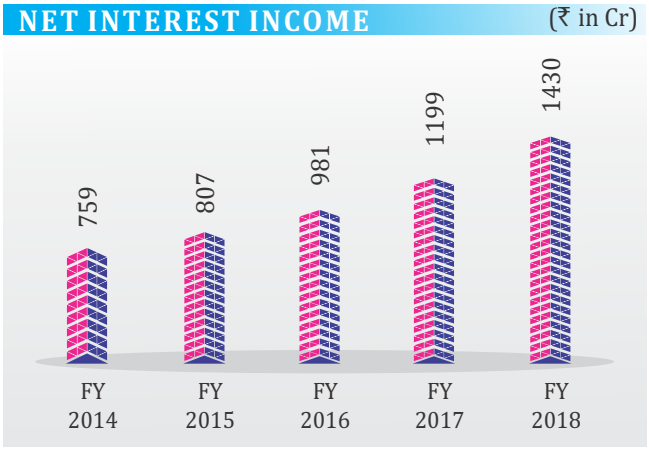
The deposits and advances for the current year stood at ₹ 32,853 crore and ₹ 28,239 crore respectively. The total business stood at ₹ 61,092 crore as compared to ₹ 54,228 crore for the previous year registering a growth of 13%. The size of the Balance Sheet as on 31st March, 2018 was ₹ 39,937 crore as compared to the previous year position of ₹ 35,271 crore recording an increase of 13%.



During the year the Bank earned an operating profit of ₹ 1,208 crore registering an increase of 22% as compared to previous year's figure of ₹ 994 crore. The net profit of the Bank for the current year was ₹ 592 crore as against ₹ 503 crore for the previous year, registering a growth of 18%.



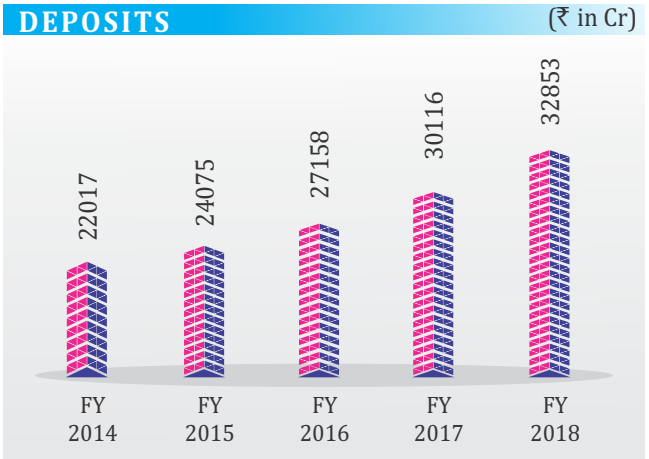
A total income of ₹ 3,935 crore was earned by the Bank as against ₹ 3,658 crore in the previous FY 2017 posting a growth of 8%. The total expenditure of the Bank increased by 2% to record ₹ 2,727 crore as compared to previous year figure of ₹ 2,664 crore. The Net Interest Income for the year under review increased by 19% from ₹ 1,199 crore to ₹ 1,430 crore. The non-interest income of the Bank increased to ₹ 532 crore from ₹ 484 crore registering 10% growth.



Your Bank has earned an income of ₹ 21.91 crore by way of selling PSLC certificate and expended ₹ 5.87 crore towards the purchase of PSL certificate to meet out the short fall in agriculture category. With that your Bank has earned a net income of ₹ 16.04 crore. The provision for tax for the year increased to ₹ 198 crore from ₹ 190 crore. The provision for NPA stood at ₹ 303 crore vis-a-vis ₹ 252 crore last year. The total provisions increased by ₹ 125 crore to ₹ 616 crore from ₹ 491 crore.

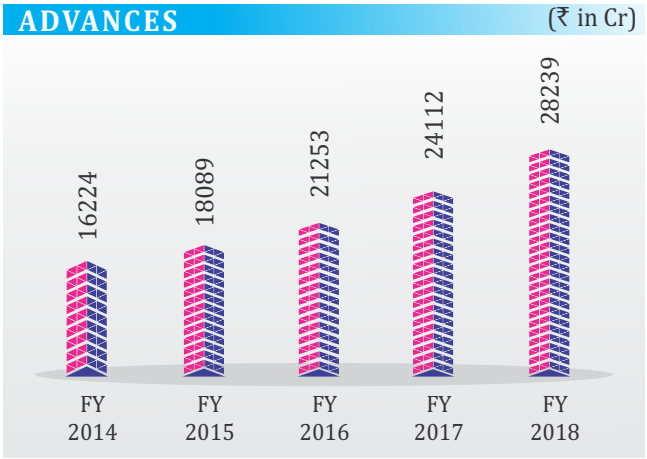
DEPOSITS

The Bank's total deposits for the year under review increased by ₹ 2,737 crore from ₹ 30,116 crore to ₹ 32,853 crore registering a growth of 9% over previous year. During the current year CASA increased by ₹ 918 crore to ₹ 7,957 crore from ₹ 7,039 crore recording a growth of 13%. The cost of deposit of the Bank decreased from 6.82% to 6.29% in the current year.



ADVANCES

The Gross Advances of the Bank increased by ₹ 4,127 crore to ₹ 28,239 crore from ₹ 24,112 crore, posting a growth of 17%. The yield on advances declined to 11.46% from 12.10% during the financial year due to stiff competition among Banks. The Gross and Net NPA for the year under review stood at 3.03% and 1.70% respectively as compared to 2.83% and 1.71% previous year.



Asset Quality

During the year the Banking industry witnessed turmoil on asset quality and NPAs were on the rise. However, your Bank resorted to constant monitoring of advances to reduce slippages and speeded up its recovery process to reduce the NPA level. The Bank continued to concentrate on lending to MSMEs especially of small ticket loans.

The Bank has fourteen Credit Processing Centers covering almost all branches. A thorough credit appraisal is done at these centers before final clearance is issued by the Administrative office. Thus the marketing approach, rigor in credit evaluation and the managers' intimate knowledge of customers - all help in keeping your Bank's level of NPA moderate.

During the year, the recovery stands improved to ₹ 206 crore as against ₹ 146 crore in FY 2017. Thus, through the process of sustained recoveries the Bank was able to maintain slippage level around 2% of advances. Priority Sector Advances stood at ₹12,463.76 crore as at 31st March, 2018 as compared to previous year amount of ₹ 11,813.52 crore. The Bank has achieved 58.59% of Adjusted Net Bank Credit (ANBC) against the regulatory prescription of 40% of ANBC in Priority Sector lendings on an average basis as prescribed by RBI. The total agricultural advances stood at ₹ 4,797.62 crore as at 31st March, 2018 as against ₹ 3,707.09 crore as on 31st March, 2017. The Bank had achieved 22.55% of ANBC against the RBI prescribed level of 18% on an average basis in respect of agriculture advances.

TREASURY OPERATIONS

Domestic Treasury

The gross investments increased by ₹ 933 crore to ₹ 8,015 crore as on 31st March, 2018 from ₹ 7,082 crore as on 31st March, 2017 registering a growth of 13%. Out of the total investments, the investments in Government Bonds alone amounted to ₹7,638 crore.

The year 2017-18 witnessed tremendous changes in bond yields. As the effects of demonization began to fade away during the last quarter of previous year, yield on benchmark security stabilized at 6.80% levels. During the first half of financial year 2017-18, implementation of GST and rate cut by RBI resulted in a market rally with the benchmark yield settling at 6.50%. However, during the second half of the financial year, bond yield turned bearish following few significant national and international events. Global cues were also weak on account of geopolitical tensions in Korean peninsula and increasing crude prices. The benchmark yield closed at 7.41% as markets cooled down after the Government announced lower borrowing in first half of next financial year.

It is noteworthy to mention that during the times of hardening of the bond yield the Bank had earned ₹ 94 crore by timely booking of profit in Government securities as compared to ₹ 108 crore in last year. The average yield on investments decreased to 6.95% in the current financial year from 7.23% in the previous year.

Forex Treasury

Indian Rupee witnessed a volatile movement during the financial year 2017-18. USD-INR opened at 64.80 and closed at 65.17 after touching a high of 65.90 and low of 63.24 during the period. Indian Rupee strengthened in the middle against USD on account of weak economic and political indications in both USA and Europe. However, towards the end of the financial year, Rupee lost most of its gains as the result of bearish trend in Domestic Markets and tensions over trade war between USA and China. By judiciously dealing with volatility, the bank earned a profit of ₹ 9.17 crore out of the total exchange profit of ₹ 64.95 crore.

NET WORTH & CAPITAL ADEQUACY RATIO

Net Worth

The paid up share capital of the Bank increased from ₹ 60 crore as on 31st March, 2017 to ₹ 66 crore as on 31st March, 2018. During the reporting period the Bank has allotted 6,01,06,488 bonus equity shares and also, 35,57,840 equity shares as Employee Stock Options to employees of the Bank pursuant to CUB ESOS Scheme 2008.

The Net worth of the Bank improved to ₹ 4,149 crore as on 31st March, 2018 from ₹ 3,556 crore as of 31st March 2017.

Capital Adequacy Ratio:

CRAR	BASEL II	BASEL III
Minimum Prescribed CRAR	9%	10.875% (PY. 10.25%)*
CUB CRAR	16.46% (PY. 16.09%)	16.22% (PY. 15.83%)

*As per the concept of Capital Conservation Buffer (CCB) under BASEL III norms, the Bank is required to maintain CCB of 2.50% at the end of March 2019 in a phased manner beginning from 31st March, 2016 @ 0.625% in each year up to 31st March, 2019. The framework of CCB is intended to strengthen the ability of banks to withstand adverse economic environment conditions and provide the mechanism for rebuilding capital during early stages of economic recovery. Thus by retaining a greater portion of earnings during the period of upturn, the Banks will be able to support ongoing business operations / lending activities during the period of stress. The Bank is maintaining CRAR well above the prescribed minimum by RBI.

SHAREHOLDERS' RETURN

A. DIVIDEND

Your Directors are pleased to recommend a dividend of ₹ 0.30 per equity share of Face Value of ₹1/- each for the year ended 31st March, 2018 (previous year ₹0.30 per equity share) subject to the approval of the Shareholders.

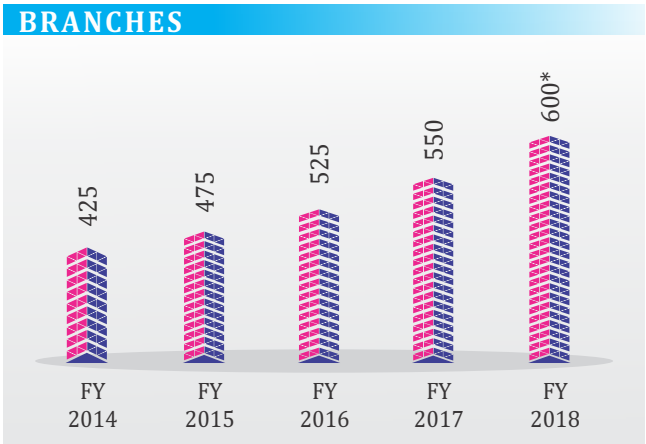
B. BONUS

During May 2018, the Board of Directors of your Bank recommended the issue of 1 bonus equity share for every 10 equity shares of face value of ₹1/- each (1:10) already held by the shareholders on a record date subject to shareholders' approval by Postal Ballot. Further as resolved by the Board, the shares allotted to the shareholders pursuant to bonus issue are also eligible to participate in dividend to be declared by the shareholders at the ensuing Annual General Meeting. The Board recommends the dividend for approval by the shareholders at the ensuing Annual General Meeting.

BRANCH EXPANSION

During the financial year the Bank had expanded its branch network by adding 50 more branches and 141 ATM's across the country totalling 600 branches and 1,621 ATM's as on 31st March, 2018. The Bank has a major presence in the state of Tamil Nadu and is enlarging its presence in other states too by taping potential markets. Out of the additions aforesaid during FY 2018, the Bank has opened 2 branches in Maharashtra, 4 in Rajasthan, 6 in Karnataka, 1 in Telengana, 1 in Seemandhra and 36 branches in Tamilnadu including 10 Banking outlets manned by Business Correspondents. The branches opened were as per the guidelines issued by the RBI on opening of Branches in unbanked and under-banked regions.

NO. OF BRANCHES



* Including Banking outlets

SOCIAL BANKING

A. FINANCIAL INCLUSION

The Government of India and the Reserve Bank of India continued its efforts in promoting financial inclusion as one of the important national objectives of the country and to spread the reach of banking services to the un-banked rural population of India. The Bank as in the past continued to support the above by serving the un-served with various financial inclusion programs announced by the Govt. of India.

The Bank, following RBI directions, has covered all the allotted 45 villages having population of over 2,000 and 101 villages having population of over 1,000 and below 2,000 including unbanked and remote villages by introducing ICT (Information, Communication & Technology) based services using hand held devices, Multifunction Kiosk, ATMs and Bulk Note Acceptor. The services are offered by engaging of Business Correspondents (BC) / Customer Service Providers (CSP). This ensures offering Banking service at the door steps of customers in a cost effective manner. Further during FY 2018 the Bank has opened 10 branches under 'Banking Outlet' model managed by BCs and their activities are monitored by the branches to which they are attached. It is ensured that they cater to business areas within 8-10 km from the base branch. The usage through ICT model has paved way for cost reduction in opening of bank accounts instead of establishing a branch. While the concept of financial inclusion is usually regarded as a regulatory prescription, your Bank has viewed it as a viable business opportunity for Banks, as it enhances the ability of the Bank to rapidly expand its presence without too much increase in cost factor. The Bank has performed well across all financial inclusion parameters.

Further, during the year under review, Basic Savings Bank Deposits (BSBD) accounts numbering 1,10,533 were opened and 96,362 Biometric Smart Cards were issued to the beneficiaries. Savings Bank Linked Overdraft Facility, Micro Insurance Products, Electronic Benefit Fund Transfer (EBT) payments have been extended to such account holders.

i. PRADHAN MANTRI JAN-DHAN YOJANA (PMJDY)

'Pradhan Mantri Jan-Dhan Yojana' (PMJDY) is a flagship financial inclusion programme of Govt. of India which was launched by our Hon'ble Prime Minister on 28th August, 2014 across the country. Under this programme, the Bank has been allotted 264 wards apart from 146 villages already allotted under the Rural Financial Inclusion scheme. The Bank had conducted survey of all 1,80,211 households in all these 264 wards.

The Bank has opened 84,370 PMJDY accounts till 31st March, 2018 through all its branches from the date of launch and Rupay cards were issued for the account holders under the scheme. As the overdraft facility is one of the features under PMJDY scheme, Bank is considering the same based on conditions fixed by IBA to the PMJDY account holders from ₹ 1,000 to ₹ 5,000.

ii. PRADHAN MANTRI JEEVAN JYOTHI BIMA YOJANA (PMJJBY)

This scheme was launched by Hon'ble Prime Minister, on 9th May, 2015. The scheme provides life insurance cover to people in the age group of 18 - 50 years. Risk cover is available up to 55 years, subject to payment of premium of ₹ 330/- p.a. Risk coverage is ₹ 2 lakh in case of death due to any reason. The Insurance premium for the scheme is auto debited from the bank account of the respective subscriber. The Bank has a tie up with LIC for this scheme and the number of persons enrolled under the scheme as on 31st March, 2018 was 48,442.

iii. PRADHAN MANTRI SURAKSHA BIMA YOJANA (PMSBY)

This Scheme provides financial cover against personal accident of the subscribers. It is open for the age group between 18 - 70 years at a nominal annual premium of ₹ 12/-. Risk cover is ₹ 2.00 lakh for death due to accident or full disability and ₹ 1.00 lakh for partial disability. The Insurance Premium for the scheme is auto debited from the bank account of the respective subscriber. The Bank is having a tie up with the New India Assurance Co. Ltd for this scheme. The enrollment under the scheme as on 31st March, 2018 numbered 74,196.

iv. ATAL PENSION YOJANA (APY)

The Government of India launched Atal Pension Yojana for the benefit of all citizens especially for the poor and under privileged. Under APY, it is open for the age group between 18 - 40 years. After completion of 60 years of age, the subscribers will be given guaranteed minimum pension ranging between ₹ 1,000 – ₹ 5,000 per month depending upon their contribution. The subscriber through our Bank numbered 6,609 as on 31st March, 2018.

B. FINANCIAL LITERACY

During the year under review the Bank continued to conduct financial education programmes to impart financial literacy to the rural population. The Bank's personnel have personally visited the villages and schools in rural areas for imparting financial education.

During the reporting cycle, the Bank has conducted such literacy programmes in fourteen (14) villages around Tamil Nadu and twelve (12) meetings in schools. Adequate measures have been taken under this process to impart financial education for the underprivileged sections including educational institutions. Further the Bank has tied up with two agencies viz., Commonwealth Inclusive Growth Foundation and Velicham Finance Pvt. Ltd which have engaged the services of 146 Business Correspondents to serve the remote and unbanked regions in Tamil Nadu. The villagers were educated about the Indian Banking system, the use of technology, digital products, security aspects etc.

EMPLOYEES STOCK OPTION SCHEME (ESOS)

The Bank implemented an Employee Stock Option Scheme 'CUB ESOS 2008' for grant of stock options to eligible employees of the Bank. The Shareholders of the Bank approved the scheme on 26th April 2008 at an Extra Ordinary General meeting of the Bank. The maximum aggregate number of options that may be granted under this scheme is 5,00,00,000. As per the scheme, exercise price of the options shall be decided by the Compensation & Remuneration Committee at the time of grant of stock options. The Bank offers ESOS to its employees which vests over a period of five years from the date of grant of options i.e., 15% options each for first three years and 25% and 30% for fourth and fifth year respectively. The shares are offered at prevailing market prices at the time of grant to the employees, however the same shall vary pursuant to corporate action viz., Rights Issue, Bonus Issue etc. There were no material changes in the ESOS of the Bank during the period under review and the same is in compliance with the provisions of SEBI (Share Based Employee Benefits) Regulations, 2014. The disclosures pursuant to Regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 have been set out in the website of the Bank (weblink: **https://www.cityunionbank.com/investor**) and also the same is annexed hereto as ***Annexure I***.

In addition, the shareholders of the Bank at its meeting held on 23rd August, 2017 approved new CUB ESOS Scheme 2017 for 3,00,00,000 options on terms and conditions similar to previous one. No options have been granted to any employees of the Bank during the previous year under this scheme.

HUMAN RESOURCE DEVELOPMENT

The Bank continued its effort to improve the quality of the employees which is the key success for achieving the preset goals / standards of the organization and is committed to equip them with expertise enabling them to seamlessly move with ongoing technological advancements. The Bank aims to provide long term, sustained and meaningful careers to employees across the organization through talent management. The Bank continued to depute its employees to various training institutions like SIBSTC, NIBM, CAB, CAFRAL, IDRBT etc., to enhance knowledge and operational efficiency. The Bank has implemented various employee benefit measures as agreed with the Staff Union during the year 2016 viz., Performance Linked Pay (PLP), Efficiency Bar mechanism to identify resource persons, Group Mediclaim benefits, enhanced ex-gratia based on performance parameters etc., which has motivated the employees to focus on standard of service and customer satisfaction.

There exists a cordial relationship between the management and the employees. It is pertinent to note here that there has not even been a single occasion of employee unrest in the Banking history of CUB. Continuous efforts are being made to enhance the quality of existing personnel and to attract new talents.

As on 31st March, 2018, the Bank has 5,319 employees, comprising of 54 Executives in top management cadre, 2,010 Officers (including Special Assistants), 2,950 Clerks and 305 Subordinate Staff as compared to 4,689 employees in the previous year.

AUTOMATION

'Technology' plays a vital role in managing and fulfilling the current demand and enhanced quality service to the customers. Changes are happening in the Banking technology and in digital payments systems. The Bank is deploying all possible technology enabled & digital payment systems to cater the needs of the customers.

The Bank has deployed CBS BaNCS for transaction processing system developed by M/s Tata Consultancy Services, which is being used by few major & peer Banks.

During the year under review, the Bank has widened the ATMs to 1,621 locations which includes 700 off-site ATMs. The Bank has deployed 987 Cash Dispenser ATMs and 634 Cash Deposit (Bulk Note Acceptors) which are having recycling of deposited cash (BRM) facility.

The Bank has opened 44 self service Bank branches (e-Lounge) having Bulk Note Acceptor, Cash dispenser, Multi functional KIOSK, Cheque deposit KIOSK and Self Passbook KIOSK.

The Bank is offering personal and corporate internet banking and mobile Banking services to the customers. All financial transactions are carried out with second factor authentication. DSC (Digital Signature Certificate) is also available as second factor authorization and is made mandatory for online transactions of ₹ 10.00 lakhs and above for Corporate Customers. Apart from deposits, funds transfer, the Bank's internet & mobile banking is having 'utility bill payment' services, online Term Deposit opening and online 'loan against deposit'. The Bank has also introduced Aadhar seeding, validating the same from UIDAI through OTP on their registered mobile. The Bank also enabled the Digital Payment 'Aadhar Enabled Payment System' to their customers. The Bank has introduced e-Kyc account opening and Selfie account opening schemes also which eliminates time taken for account opening.

The customers of the Bank also enjoy CUB e-Wallet, Unified Payment Interface (UPI) and '*99#' a NUUP (National Unified USSD Platform) an innovative payment service launched by NPCI working on Unstructured Supplementary Service Data (USSD). The Bank also is part of Bharat Bill Payment System (BBPS) as Bharat Bill Payment System Operating Unit (BBPOU) and launched Bharat QR. Scan and Pay – Bharat QR option is also made available in BHIM UPI.

A customer friendly Captive Contact Centre (Call Centre) with Interactive Voice Response System (IVRS), is put in place to promote customer support on multi-languages 24x7 basis.

The Bank introduced 'chat-bot' service, powered by 'Artificial Intelligence' that intract with the customers via chat interface either auditory (Ask Lakshmi) or textual (Chat-Box in website and social media), which will work round the clock without any human intervention and answers customer queries. This has been deployed in five centers so far.

The Bank has rolled out FASTag facility for making payments by vehicles in Toll Plazas electronically through rechargeable prepaid instruments.

As a green initiative, Green PIN for ATM card is implemented, by which the customers can themselves set the PIN in the ATM with OTP verification to the registered mobile number. The Bank has introduced Spend Analyser in our Net Banking through which the customers can view their spending pattern of the amounts remitted through Net / Mobile Banking. Customers are provided with the option of enabling / disabling their cards through Net / Mobile Banking and to set their own limits for ATM / POS / e-Com transactions.

Now, CUB customers can get their credit card (virtual) instantaneously and start doing transactions. Customer can login to Net banking account and apply for credit card in a few clicks. Customer has to choose a Fixed Deposit account, link it to credit card and fix own credit limit on the card. Customer gets credit card (virtual) instantaneously. The FD continues to earn you the interest.

AWARDS & ACCOLADES

The Bank has been awarded the Best Small sized bank for FY 2015-16 by Business World - PWC Best Banks' Survey 2016 (Second Year in a row).

The Bank won Financial Express Best Bank award in the category "Top Old Private Sector Bank" for FY 2015-16 (Third Year in a row).

SUBSIDIARIES AND ASSOCIATES

Your Bank does not have any Subsidiaries or Associates to report during the year under report.

BOARD MEETINGS

All Board meetings of the Bank were held in accordance with the Companies Act, 2013, the Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) and SEBI Listing Regulations, 2015. During the year thirteen meetings were held, the details of which are given under report on Corporate Governance forming part of this report.

BOARD OF DIRECTORS & KEY MANAGERIAL PERSONNEL

Appointments

Shri. V.N. Shiva Shankar was co-opted as an Additional Director into the Board of the Bank on 7th February, 2018 to hold the office till the conclusion of the ensuing Annual General Meeting. He is a qualified lawyer, Company Secretary and Cost / Management Account with over 25 years of rich experience in the Indian corporate sector. Pursuant to the provisions of the Companies Act, 2013 and the Banking Regulation Act, 1949, Shri. Shiva Shankar has specialized knowledge in the areas of Corporate Laws, Mergers, Capital Markets and allied subjects. In the opinion of the Board Shri. Shiva Shankar is a dynamic and competent professional who can effectively participate and represent in the Board of the Bank. The Board recommends his appointment as an Independent Director on the Board of the Bank for approval by shareholders in the Notice calling this Annual General Meeting. The relevant details of Shri. Shiva Shankar pursuant to SEBI Listing Regulations, 2015 are disclosed separately in such Notice.

Dr. T.S. Sridhar, M.A., Ph.D, is a retired I.A.S officer was co-opted as an Additional Director into the Board of the Bank on 7th February, 2018 to hold the office till the conclusion of the ensuing Annual General Meeting. He has held top positions in the Government including Additional Chief Secretary, Commissioner of Revenue Administration etc. He has successfully led various Govt. programs / schemes. Dr. T.S. Sridhar has specialized knowledge in Rural Economy, Agriculture, Co-operation, MSME, Banking, Small Savings and Industry & Finance sector. Pursuant to the provisions of the Companies Act, 2013 and the Banking Regulation Act, 1949, Dr. Sridhar in the opinion of the Board, is a person with diverse knowledge and experience who can effectively participate and represent in the Board of the Bank. The Board recommends his appointment as Independent Director on the Board of the Bank for approval by shareholders in the Notice calling this Annual General Meeting. The relevant details of Dr. Sridhar pursuant to SEBI Listing Regulations 2015 are disclosed separately in such Notice.

Cessation

Shri. C.R. Muralidharan and Justice (Retd.) **S.R. Singharavelu** retired from the Board of the Bank on 24th February, 2018 on account of completion of 8 years term as per the provisions of Banking Regulation Act, 1949.

The Board hereby places on record its warm appreciation over the excellent services rendered by Shri. C.R. Muralidharan and Justice (Retd.) S.R. Singharavelu during their tenure.

Besides the above appointments and cessations, the appointment of Shri N. Subramaniam and cessation of Shri T.K. Ramkumar occurred during FY 2017 - 18 and the same were duly reported to the shareholders in the previous AGM held on 23rd August, 2017.

Directors to retire by Rotation - The application of provisions of Section 152(6) arises only when the Board of Directors of the public company comprises of such number of directors who are not prohibited or restricted by the Act to retire by rotation. All directors on the Board, except the Managing Director and CEO of the Bank are Independent Directors. Hence the provisions of Section 152(6) of Companies Act, 2013 relating to retirement of directors by rotation do not apply considering the present composition of the Board of Directors. Independent Directors are not required to retire in terms of Section 149(13) of the said Act. Accordingly no director is required to retire by rotation at this annual general meeting.

Declaration by Independent Directors

The Bank has received relevant declarations from all the Independent Directors under Section 149(7) of the Companies Act, 2013, notifications issued by the Ministry of Corporate Affairs and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations'), and the Board is satisfied that the Independent Directors meet the criteria of independence as stipulated under statutory laws.

Familiarization program for Independent Directors

The details of programme for familiarization of Independent Directors with the Bank, their roles, rights and responsibilities in the Bank and related matters are provided separately under the Corporate Governance Report forming part of this Annual Report.

Performance Evaluation

In line with the provisions of the Companies Act, 2013, SEBI Listing Regulations, 2015 and relevant notifications / guidelines issued by SEBI in this regard, there exists a structured criterion as approved by the Nomination committee of the Board for carrying out the performance evaluation of the Board as a whole, its committees as well as Independent Directors.

The necessary evaluations / review were carried out by the Board and Independent Directors to determine the effectiveness of the Board, its Committees, Chairman and individual Directors. Additional information on performance evaluation is set out in Corporate Governance section forming part of this report.

Key Managerial Personnel

The following officials of the Bank continue to be the "Key Managerial Personnel" pursuant to the provisions of Section 2(51) read with Section 203 of the Companies Act, 2013 :

Sl.No.	Name	Designation
1.	Dr. N. Kamakodi	MD & CEO
2.	Shri. V. Ramesh	General Manager - CFO & CS

AUDITORS

Statutory Auditor

M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai was appointed as the Statutory Central Auditors of the Bank in the previous AGM held on 23rd August, 2017. The term of the present Auditor will conclude at the ensuing Annual General Meeting of the Bank and being eligible has offered themselves for re-appointment.

Consent has been received from the present Auditors for their re-appointment and also a confirmation to the effect that they are not disqualified to be appointed as Statutory Auditors of the Bank in terms of Companies Act, 2013 & the rules made there under. The Reserve Bank of India has accorded its approval for the appointment of M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai to act as Statutory Central Auditors for the Financial Year 2018-19. Members are requested to consider and approve their appointment as Statutory Central Auditors of the Bank for FY 2018-19.

Secretarial Auditor

Pursuant to Section 204 of the Companies Act, 2013, read with Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the Bank has appointed M/s B.K. Sundaram & Associates, Practicing Company Secretaries, Tiruchirapalli as Secretarial Auditor to conduct the Secretarial Audit of the Bank for Financial Year 2017-18. The report of Secretarial Auditor 'Secretarial Audit Report' is annexed to this report as ***Annexure II***.

DIRECTORS RESPONSIBILITY STATEMENT

In accordance with Section 134 (5) of the Companies Act, 2013, the Board of Directors of the Bank hereby declares and confirms that:-

I) In the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.

ii) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the Profit & Loss of the Bank for that period.

iii) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of applicable laws governing banks in India for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.

iv) The Directors had prepared the annual accounts on a going concern basis.

v) The Directors had laid down adequate internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and

vi) The Directors has devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

INSIDER TRADING NORMS

The Bank has formulated a Code of Conduct pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015 to regulate, monitor and ensure reporting of trading by the employees and other connected persons to comply with the provisions of SEBI Listing Regulations. Such policy is adopted to maintain highest ethical standards in dealing with securities of the Bank by persons to whom it is applicable. The code of conduct and related policy are available in the Bank's website (weblink: **https://www.cityunionbank.com/downloads/Insider_trade_code_2015.pdf**).

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE BANK

There are no material changes and commitments affecting the financial position of the Bank which has occurred between the end of the financial year of the Bank i.e., 31st March, 2018 and the date of Directors Report i.e., 22nd June, 2018.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS

During the year under review, no significant and material orders were passed by the Regulators or courts or tribunals impacting the going concern status and Bank's operation in future.

POLICIES

Remuneration / Compensation Policy

The Bank has adopted a Compensation Policy in accordance with the directives issued by the Reserve Bank of India. The Bank has constituted a Compensation & Remuneration Committee which oversees the framing, implementation and review of the Compensation Policy of the Bank. The Remuneration Policy of the Bank is briefed under Corporate Governance Report forming part of Annual Report.

Risk Management Policy

The Bank has in place an Integrated Risk Management framework supported by detailed policies and processes for management of Credit Risk, Market Risk, Liquidity Risk, Operational Risk and various other Risks. The details on the Risk Management framework of the Bank is set out in the Management Discussion and Analysis section appended to this Report.

DIVIDEND DISTRIBUTION POLICY

Pursuant to an amendment notification issued by the Securities Exchange Board of India during the year 2016, the Bank has framed a policy on Dividend Distribution taking into account the guidelines prescribed by the Reserve Bank of India on 'Declaration of Dividend by Scheduled Commercial Banks'. The same is available at the website of the Bank (weblink: **https://www.cityunionbank.com/downloads/DividendDistributionPolicy.pdf**).

UNCLAIMED DIVIDEND AND SHARES

Your Bank, in compliance with the provisions of Section 125 of the Companies Act, 2013 together with the applicable rules and circulars issued thereunder by the Ministry of Corporate Affairs, has transferred 15,83,197 equity shares to the IEPF Authority, in respect of which no claim of dividend has been made continuously for a period of seven years.

Further, in terms of the said provisions, consequent to expiry of seven years period:

a. Unclaimed amounts pertaining to Dividend declared during FY 2009-10 has been transferred to IEPF during the financial year under review, and

b. Unclaimed amount pertaining to Dividend declared during FY 2010-11 together with shares will be transferred during financial year 2018-19 within the stipulated time.

BUSINESS RESPONSIBILITY REPORT

As per SEBI Listing Regulations, 2015 a Business Responsibility Report describing the Bank's social, environmental and governance aspects are attached as part of this Annual report.

DEPOSITS

Being a Banking company, the disclosures as required pursuant to Rule 8(5)(v) & (vi) of the Companies (Accounts) Rules, 2014 read with Section 73 & 74 of the Companies Act, 2013 are not applicable to your Bank.

INTERNAL FINANCIAL CONTROLS

The Bank has put in place adequate internal financial controls commensurate with the size and scale of operations. The Bank has, in all material aspects, adequate internal control systems over financial reporting and these controls have taken into consideration, the essential components of internal control stated in the guidance note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. Such internal financial controls over financial reporting were operating effectively as at the end of the financial year. More details have been set out in Management Discussion and Analysis Report which forms part of this report.

RELATED PARTY TRANSACTIONS

The Board of Directors of the Bank has adopted a policy on Related Party transactions which is in line with the Companies Act, 2013 and SEBI Listing Regulations, 2015. There were no significant "Related Party Transactions" of any material, financial & commercial nature with the Bank by the Directors and their relatives that would have potential conflict with the interest of the Bank at large. A detailed policy on the Related Party Transaction is available at the Bank's website (weblink: **https://www.cityunionbank.com/downloads/documents/CUB_Related_Party_Transaction.pdf**).

LOANS, GUARANTEES OR INVESTMENTS

All loans, guarantees or investments made in securities by the Bank are exempt pursuant to the provisions of section 186 (11) of the Companies Act, 2013 and hence does not attract any disclosure required under section 134 (3)(g) of the Companies Act, 2013.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 134(3)(a), of the Companies Act, 2013 (the Act), read with Rule 12(1) of Companies (Management & Administration) Rules, 2014 an extract of Annual Return in form MGT - 9 as provided under Sub-section (3) of Section 92 of the Act is appended to this report as ***Annexure III***.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In compliance with the Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, and the related notifications / circulars / guidelines issued by MCA, the Bank has established Corporate Social Responsibility (CSR) Committee. The Bank has established CUB Foundation, a non-profit entity to identify, recommend and oversee the CSR initiatives of the Bank.

A Report on CSR activities as required under Rule 9 of the Companies (Corporate Social Responsibility) Rules 2014 is furnished under ***Annexure IV*** to this report.

DISCLOSURE TO BE MADE UNDER SUB SEC (8) OF SEC 177 OF COMPANIES ACT, 2013

The Board of the Bank had constituted the Audit Committee under the extant guidelines of Reserve Bank of India (RBI), provisions of the Companies Act, 2013 and Listing Regulations, 2015. The details of the composition of the Audit Committee is furnished in the Corporate Governance Report.

CORPORATE GOVERNANCE

Corporate Governance of the Bank is an ethically driven business process that rests on the fundamental pillar of high ethical values aimed at enhancing organization's brand and reputation and to protect the interests of all the stakeholders by taking ethical business decisions. The Bank is committed to achieving the highest standards of Corporate Governance and also adheres to the Corporate Governance requirements set by the Regulators / applicable laws. Accordingly, the Board functions as trustees of the shareholder's and seeks to ensure that the long term economic value for its shareholders is achieved while balancing the interest of all the stakeholders.

A detailed section on Corporate Governance standards followed by the Bank as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Companies Act, 2013 and rules made there under alongwith Certificate of Compliance from the Statutory Auditors are disclosed separately forming part of this report.

MANAGEMENT DISCUSSION & ANALYSIS

A detailed Management Discussion and Analysis Report for the year under review as stipulated in SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 is presented as a separate section as part of this Annual Report.

OTHER DISCLOSURES

Conservation of Energy and Technology Absorption

Considering the nature of activities carried out by the Bank, the provisions of Section 134 (m) of the Companies Act, 2013 relating to conservation of energy and technology observation do not apply to the Bank. However every effort is being made to conserve energy. The Bank has put Solar Panels at various branches as part of energy conservation besides installation of power saving LED bulbs at majority of branches and Central Office. Further, it is proposed to set up Inverter technology based Air Conditioners to support the cause.

On the technological front, the Bank strives to offer excellent banking service by facilitating the latest customer friendly and secure technological solutions to its customers. However, as informed to the Stock Exchanges on 8th December, 2017, during the third quarter, there were certain improper transactions amounting to ₹ 31.55 cr through VISA, MASTER & NPCI networks through ATM switch which were approved outside the Bank's network. The Bank has a cyber insurance cover for ₹ 25 cr and insurance claim has been lodged. The Bank has provided a sum of ₹ 7 cr during the third quarter. Further as informed to the Stock Exchanges on 17th February, 2018, three fraudulent remittances amounting to ₹ 12.13 cr had gone through our SWIFT system which were not initiated by us. Since your Bank reconciliation system was very tight your Bank could catch the attack in 3 attempts. Out of this, the Bank received back ₹ 3.25 cr. An amount of ₹ 2.22 cr have been blocked and for getting back the remaining amount the Bank is taking efforts. During the fourth quarter, the Bank has made a provision of ₹ 6.66 cr.

Foreign Exchange Earnings and Outgo

The Bank continues to encourage country's export promotion by lending to exporters and offering them forex transaction facilities.

Employees and Related Disclosures

Disclosures under Section 197 of the Companies Act, 2013

The disclosures pursuant to the provisions of Section 197 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are furnished as ***Annexure V***.

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed as ***Annexure VI***.

Disclosure under Section 22 of Sexual Harassment of women at workplace (Prevention, Prohibition and Redressal) Act 2013

The Bank gives utmost importance towards maintaining and upholding the dignity of each and every woman working in the Bank. The Bank has a policy on Prevention of Sexual Harassment at workplace which provides for adequate safeguards and protection for women employees working in the organization. No compliant was received in this regard during the year 2017-18.

Confirmation has to compliance of applicable laws

It is hereby confirmed that the Bank has proper systems in place to ensure compliance of all laws applicable to the Banks.

Whistle Blower / Vigil Mechanism

Pursuant to the provisions of Section 177(9) and (10) of the Companies Act 2013, a vigil mechanism for Directors and employees to report genuine concerns has been established. The Bank has a policy on whistle blower / vigil mechanism which is uploaded in the website of the Bank as well as intranet (weblink: **https://www.cityunionbank.com/downloads/Whistleblower%20Policy.pdf**).

All employees and directors have access to the Chairman of the Audit Committee in appropriate and exceptional circumstances.

ACKNOWLEDGEMENT

The Board of Directors of the Bank would like to take this opportunity to thank all the Stakeholders and wish to place on record its sincere appreciation for the assistance and co-operation received from the Reserve Bank of India, NABARD, NHB, IDBI, SIDBI, EXIM BANK, ECGC, DICGC, SEBI, Stock Exchanges, Depositories, Karvy Computer share Pvt. Ltd., Life Insurance Corporation of India, United India Insurance, New India Assurance, Tata Consultancy Services, CCIL, CIBIL, Correspondent Banks, Exchange Houses and other authorities.

Your Directors also place on record their warm appreciation for the committed services rendered by the Bank's Executives, Staff and Workers.

For and on behalf of the Board
S. Mahalingam
Chairman

Place : Chennai
Date : 22nd June, 2018

ANNEXURE - I

Statutory Disclosures regarding ESOS under Regulation 14 of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and pursuant to Rule 12(9) of Companies (Share Capital and Debentures) Rules, 2014 for the Financial Year 2017-18

Particulars	ESOS 2008					
	Series I	Series II	Series III	Series IV	Series V	Series VI
Total number of options granted (Including additional grant upon Rights & Bonus Issue)	2,27,81,250	3,70,071	31,61,915	45,63,463	1,03,87,118	16,35,676
Pricing Formula	₹ 13.00 Per Option	₹ 32.00 Per Option	₹ 47.00 Per Option	₹ 46.95 Per Option	₹ 93.20 Per Option	₹ 88.05 Per Option
Revised price due to Rights & Bonus Issue	₹ 10.55 Per Option	₹ 26.91 Per Option	₹ 37.82 Per Option	₹ 42.68 Per Option	₹ 84.73 Per Option	₹ 80.05 Per Option
No. of options outstanding as on 1st April, 2017	0	16,632	3,87,872	20,74,625	77,01,175	13,51,759
No. of additional options granted pursuant to Bonus Issue during the year	0	1,663	38,787	2,07,463	7,70,118	1,35,176
No. of options lapsed during the year	0	8,316	17,526	1,09,835	2,29,270	23,925
No. of options exercised during the year	0	0	2,77,611	9,16,081	21,97,379	1,66,769
No. of shares arising as a result of exercise of options during the year	0	0	2,77,611	9,16,081	21,97,379	1,66,769
Variation in terms of options	Not Applicable					
Money realized by exercise of options during the year	0	0	1,04,99,248	3,90,98,337	18,61,83,923	1,33,49,858
Loan repaid by the trust during the year from the exercise price received	Not Applicable					
Total Number of options outstanding at the end of the year 31st March, 2018	0	9,979	1,31,522	12,56,172	60,44,644	12,96,241
Employee wise details of options granted						
i) Senior Management Personnel	NIL	NIL	NIL	NIL	NIL	NIL
ii) Any other employee who received a grant in any one year of the options amounting to 5% or more of the options granted during the year	NIL	NIL	NIL	NIL	NIL	NIL
iii) Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant	NIL	NIL	NIL	NIL	NIL	NIL

Particulars	ESOS 2008					
	Series I	Series II	Series III	Series IV	Series V	Series VI
Allotment of shares made during the Financial Year under ESOS						
No of shares allotted under ESOS during the year	-	-	2,77,611	9,16,081	21,97,379	1,66,769
The price at which such shares are allotted	-	-	₹ 37.82 Per Option	₹ 42.68 Per Option	₹ 84.73 Per Option	₹ 80.05 Per Option
Employee wise details of the shares allotted to						
i) Senior Management Personnel						
Dr. N. Kamakodi	-	-	-	-	1,65,000	-
Shri. R. Venkatasubramanian	-	-	-	-	16,500	-
Shri. K.P. Sridhar	-	-	11,000	-	-	-
Shri. V. Ramesh	-	-	-	-	1,650	-
Shri. K Maharajan	-	-	-	-	3,300	1,650
Shri. S. Mohan	-	-	-	-	9,000	-
ii) Any other employee who received a grant in any one year of the options amounting to 5% or more of the options granted during the year	NIL	NIL	NIL	NIL	NIL	NIL
iii) Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Bank at the time of grant	NIL	NIL	NIL	NIL	NIL	NIL

Employee compensation cost calculated as per the intrinsic value method for the Financial Year 2017-18 is NIL. If the Employee compensation cost was calculated as per fair value method as prescribed by the SEBI, the total cost to be recognized in the financial statement for the Financial Year 2017-18 would be ₹ 6,89,54,872/-. Consequently, net profit would have been reduced by ₹ 6,89,54,872/- and EPS would get reduced by ₹ 0.103 per share.

Weighted Average Details

Particulars	
Weighted Average Market Price (In ₹)	85.02
Weighted Average Exercise Price (In ₹)	85.02
Weighted Average Risk Free Interest Rate (%)	7.72
Weighted Average Stock Volatility	0.03
Weighted Average Fair Value of Options (In ₹)	25.74

The Company has adopted Black-Scholes model to arrive value of options granted under ESOS 2008 based on the following assumptions.

1. Risk Free Rate - Yield on the appropriate period Government Securities has been considered as the risk-free rate.
2. Expected Volatility - Standard Deviation of the stock returns of City union Bank over the trailing one year period prior to the date of grant of options has been considered.
3. Expected Dividend - Based on the last dividend payout by the Bank.

For and on behalf of the Board
S. Mahalingam
Chairman

Place : Chennai
Date : 22nd June, 2018

ANNEXURE - II

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31st MARCH 2018
FORM NO. MR-3

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To the Members of

CITY UNION BANK LIMITED

Kumbakonam

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by CITY UNION BANK LIMITED (CIN: L65110TN1904PLC001287) (hereinafter called "the Bank") for the audit period covering the financial year ended on 31st March, 2018.

Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the 'Bank' and also the information provided by the 'Bank', its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the 'Bank' has, during the audit period covering the financial year ended on 31st March, 2018 complied with the statutory provisions listed hereunder and also that the 'Bank' has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the 'Bank' for the financial year ended on 31st March, 2018, according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the Rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

d) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

e) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

f) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.

(iv) The following Acts, Rules and Regulations are specifically applicable to the Bank:

a) The Banking Regulations Act, 1949

b) The Reserve Bank of India Act, 1934

c) Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

d) The Bankers' Books Evidence Act, 1891

e) Recovery of Debts due to Banks and Financial Institution Act, 1993

f) Credit Information Companies (Regulation) Act, 2005

g) Prevention of Money Laundering Act, 2002

h) The Deposit Insurance and Credit Guarantee Corporation Act, 1961

i) Industrial Disputes (Banking and Insurance Companies) Act, 1949

j) Information Technology Act, 2000

k) SEBI (Bankers to an Issue) Regulations, 1994

We have also examined compliance with the applicable clauses of the following :

(i) Secretarial Standards with respect to the meetings of the Board of Directors (SS-1) and General Meetings (SS-2) issued by the Institute of Company Secretaries of India.

(ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the 'Bank' has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc., mentioned above.

During the period under report, provisions of the following regulations were not attracted by the 'Bank':

(i) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998.

(ii) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009

(iii) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.

We further report that :

The Board of Directors of the 'Bank' is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice with agenda items supported by detailed notes thereon is given to all Directors to schedule the Board Meetings and Committee meetings and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meetings and for meaningful participation at the meetings.

Resolutions at the meetings of the Board of Directors of the Bank and Committees thereof are carried through, on the basis of unanimous decisions. If and when decisions are carried through on the basis of majority, the dissenting members' views are captured and recorded as part of the minutes. But there were no dissenting views during the year under report.

We further report that there are adequate systems and processes in the 'Bank' commensurate with the size and operations of the 'Bank' to monitor, to make requisite disclosures to the concerned authorities and thereby ensure compliance with applicable Laws, Rules, Regulations and Guidelines.

We further report that during the audit period the 'Bank' had no specific events / actions having a major bearing on the Bank's affairs in pursuance of the above referred Laws, Rules, Regulations, Guidelines, Standards, etc., referred to above.

FOR **B.K. SUNDARAM & ASSOCIATES**
COMPANY SECRETARIES

Sd/-
B. KALYANASUNDARAM
COMPANY SECRETARY
ACS. No. A672 CP. No. 2209

Place : TIRUCHIRAPALLI
Date : 15th June, 2018

Note: This report has to be read along with the Annexure which forms an integral part of this report.

ANNEXURE TO SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

CITY UNION BANK LIMITED

1. Maintenance of secretarial records with reference to the provisions of the Companies Act, 2013 & the Rules thereunder and the maintenance of records with reference to other applicable laws is the responsibility of the management of the Company. Our responsibility is to express an opinion based on our audit.

2. We have followed the audit practices and procedures as were appropriate to obtain reasonable assurance about the correctness of the contents of the records. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our Secretarial Audit. The verifications were done on a random test basis to ensure the correctness of the facts reflected in the records.

3. We have obtained the Management representation about the compliance of Laws, Rules and Regulations and other specifically applicable Acts, Rules and Regulations and occurrence of events and we have covered the same in our report.

FOR **B.K. SUNDARAM & ASSOCIATES**
COMPANY SECRETARIES

Sd/-
B. KALYANASUNDARAM
COMPANY SECRETARY
ACS. No. A672 CP. No. 2209

Place : TIRUCHIRAPALLI
Date : 15th June, 2018

ANNEXURE - III

EXTRACT OF THE ANNUAL RETURN

Form MGT - 9 as on the financial year ended on 31st March, 2018

[Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS :

Sl.No.	Particulars	Details
1.	CIN	L65110TN1904PLC001287
2.	Registration Date	31.10.1904
3.	Name of the Company	CITY UNION BANK LTD.
4.	Category / Sub-Category of the Company	Public Limited Company
5.	Address of the Registered office and contact details	149, T.S.R. (Big) Street, Kumbakonam - 612001, Tamilnadu. Tel : 0435 - 2432322
6.	Whether listed company	Yes, BSE & NSE
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any	M/s. Karvy Computershare Private Ltd., Unit : CITY UNION BANK LTD. Karvy Selenium Tower B, Plot No.31&32, Financial Dist., Gachibowli, Nanakramguda, Serilingampally, Hyderabad - 500 032, Telangana State, India. Tel : 040 - 67161509, Fax: 040-23420814 E-mail: einward.ris@karvy.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY :

All the business activities contributing 10% or more of the total turnover of the company shall be stated :-

Sl.No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the company
1	Banking	64191	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES :

Sl.No.	Name and address of the company	CIN / GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
Not Applicable					

IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding :

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% of Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(A) Promoters									
(1) Indian									
(a) Individual / HUF									
(b) Central Govt.									
(c) State Govt. (s)									
(d) Bodies Corporate									
(e) Banks / FI									
(f) Any Other									
Sub-Total (A) (1)					NIL				
(2) Foreign									
(a) NRIs - Individuals									
(b) Other - Individuals									
(c) Bodies Corporate									
(d) Banks / FI									
(e) Any Other									
Sub-Total (A) (2)									
Total Shareholding of Promoter (A)= (A) (1) + (A) (2)									

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% of Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(B) Public Shareholding									
(1) Institutions									
(a) Mutual Funds	54871831	0	54871831	9.13	107886227	0	107886227	16.23	7.23
(b) Banks / FI	678276	5000	683276	0.11	25003648	5500	25009148	3.76	3.65
(c) Central Govt.	0	0	0	0	0	0	0	0	0
(d) State Govt(s)	0	0	0	0	0	0	0	0	0
(e) Venture Capital funds	0	0	0	0	0	0	0	0	0
(f) Insurance Companies	22442948	0	22442948	3.73	1968484	0	1968484	0.30	-3.43
(g) FIIs	220572360	0	220572360	36.70	201939621	0	201939621	30.38	-6.32
(h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
(I) Others - Allternate Investment Fund	0	0	0	0	889158	0	889158	0.13	0
Sub-Total (B)(1)	**298565415**	**5000**	**298570415**	**49.67**	**337687138**	**5500**	**337692638**	**50.80**	**1.13**
(2) Non- Institutions									
(a) Bodies Corporate									
i. Indian	41193414	684472	41877886	6.97	44281936	631975	44913911	6.76	-0.21
ii. Overseas	0	0	0	0	0	0	0	0	0
(b) Individuals									
i. Individual shareholders holding nominal share capital up to ₹ 1 lakh	120778480	28884108	149662588	24.90	129553166	25546519	155099685	23.33	-1.57
ii. Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	102971018	161990	103133008	17.16	113077552	1820558	114898110	17.28	0.12
(c) Others									
i. Trusts	2687718	63676	2751394	0.46	2977585	70043	3047628	0.46	0.00
ii. NRI	3015525	0	3015525	0.50	2947418	0	2947418	0.44	-0.06

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% of Change during the Year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
iii. Foreign Bodies	0	0	0	0	0	0	0	0	0
iv. Clearing Members	624968	0	624968	0.10	1346932	0	1346932	0.20	0.10
v. NBFC	18668	0	18668	0.00	12145	0	12145	0.00	0.00
vi. NRI Non - Repatriation	1410429	0	1410429	0.23	3187535	10	3187545	0.48	0.25
vii. IEPF	0	0	0	0	1583197	0	1583197	0.24	0.24
d. Qualified Foreign Investor	0	0	0	0	0	0	0	0	0
Sub-Total (B)(2)	**272700220**	**29794246**	**302494466**	**50.33**	**298967466**	**28069105**	**327036571**	**49.20**	**-1.13**
Total Public Shareholding B = (B) (1) + (B) (2)	**571265635**	**29799246**	**601064881**	**100.00**	**636654604**	**28074605**	**664729209**	**100.00**	**0.00**
C. Shares held by custodian for GDRs & ADRs	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A+B+C)	**571265635**	**29799246**	**601064881**	**100.00**	**636654604**	**28074605**	**664729209**	**100.00**	**0.00**

(ii) Shareholding of Promoters:

Sl.No.	Shareholders' Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% of Change in Share holding during the Year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
Not applicable as the Bank does not have any promoter(s)								

(iii) Change in Promoters' Shareholding (please specify, if there is no change):

Sl.No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
Not applicable as the Bank does not have any promoters					

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) :

Sl.No.	For Each of the Top ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1.	**NT ASIAN Discovery Master Fund**	2,39,76,416	3.99	2,39,76,416	3.99
	Add : Bonus shares on 28.07.2017	23,97,641	0.36	2,63,74,057	3.99
	As on 31.03.2018	-	-	**2,63,74,057**	**3.97**
2.	**Lavender Investments Ltd**	2,36,08,955	3.93	2,36,08,955	3.93
	Less : Market Sale on 16.06.2017	(15,00,000)	0.25	2,21,08,955	3.68
	Market Sale on 23.06.2017	(10,85,000)	0.18	2,10,23,955	3.50
	Market Sale on 14.07.2017	(7,80,000)	0.13	2,02,43,955	3.37
	Add : Bonus shares on 28.07.2017	20,24,395	0.31	2,22,68,350	3.37
	Less : Market Sale on 28.07.2017	(10,00,000)	0.15	2,12,68,350	3.22
	Market Sale on 22.09.2017	(5,00,000)	0.08	2,07,68,350	3.13
	Market Sale on 13.10.2017	(7,00,000)	0.11	2,00,68,350	3.02
	Market Sale on 20.10.2017	(41,30,042)	0.62	1,59,38,308	2.40
	Market Sale on 27.10.2017	(5,49,750)	0.08	1,53,88,558	2.32
	Market Sale on 31.10.2017	(5,97,578)	0.09	1,47,90,980	2.23

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) :

Sl.No.	For Each of the Top ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	Less : Market Sale on 10.11.2017	(5,84,212)	0.09	1,42,06,768	2.14
	Market Sale on 24.11.2017	(62,25,000)	0.94	79,81,768	1.20
	Market Sale on 08.12.2017	(10,00,000)	0.15	69,81,768	1.05
	Market Sale on 16.02.2018	(69,81,768)	1.05	0	0.00
	As on 31.03.2018	-	-	**0**	**0.00**
3.	**Life Insurance Corporation of India**	2,10,20,153	3.50	2,10,20,153	3.50
	Add : Market Purchase on 05.05.2017	4,49,078	0.07	2,14,69,231	3.57
	Market Purchase on 12.05.2017	4,05,536	0.07	2,18,74,767	3.64
	Market Purchase on 26.05.2017	2,14,615	0.04	2,20,89,382	3.68
	Market Purchase on 02.06.2017	1,43,094	0.02	2,22,32,476	3.70
	Bonus shares on 28.07.2017	22,23,247	0.34	2,44,55,723	3.70
	As on 31.03.2018	-	-	**2,44,55,723**	**3.68**
4.	**Smallcap World Fund, INC.**	1,99,61,217	3.32	1,99,61,217	3.32
	Add : Bonus shares on 28.07.2017	19,96,121	0.30	2,19,57,338	3.32
	As on 31.03.2018	-	-	**2,19,57,338**	**3.30**
5.	**GKFF Ventures**	1,80,54,178	3.00	1,80,54,178	3.00
	Add : Bonus shares on 28.07.2017	18,05,417	0.27	1,98,59,595	3.00
	Less : Market Sale on 09.03.2018	(10,84,485)	0.16	1,87,75,110	2.82
	Market Sale on 16.03.2018	(3,07,192)	0.05	1,84,67,918	2.78
	As on 31.03.2018	-	-	**1,84,67,918**	**2.78**
6.	**Ardisia Limited**	1,46,53,000	2.44	1,46,53,000	2.44
	Less : Market Sale on 14.04.2017	(1,46,53,000)	2.44	0	0.00
	As on 31.03.2018	-	-	**0**	**0.00**

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) :

Sl.No.	For Each of the Top ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
7.	**HDFC Trustee Company Ltd - A/c HDFC MID - CAP Opportunities**	1,34,99,000	2.25	1,34,99,000	2.25
	Add : Bonus shares on 28.07.2017	13,49,900	0.20	1,48,48,900	2.25
	Market Purchase on 13.10.2017	7,00,000	0.11	1,55,48,900	2.34
	Market Purchase on 27.10.2017	5,00,000	0.08	1,60,48,900	2.42
	Market Purchase on 24.11.2017	15,00,000	0.23	1,75,48,900	2.65
	Market Purchase on 15.12.2017	1,06,000	0.02	1,76,54,900	2.66
	Market Purchase on 22.12.2017	11,00,000	0.17	1,87,54,900	2.83
	Market Purchase on 16.03.2018	24,39,117	0.37	2,11,94,017	3.19
	Market Purchase on 23.03.2018	80,51,700	1.21	2,92,45,717	4.40
	As on 31.03.2018	**-**	**-**	**2,92,45,717**	**4.40**
8.	**Vilasini Vaidyanathan**	1,25,00,000	2.08	1,25,00,000	2.08
	Add : Bonus shares on 28.07.2017	12,50,000	0.19	1,37,50,000	2.08
	As on 31.03.2018	**-**	**-**	**1,37,50,000**	**2.07**
9.	**Visalam G**	1,25,00,000	2.08	1,25,00,000	2.08
	Add : Bonus shares on 28.07.2017	12,50,000	0.19	1,37,50,000	2.08
	As on 31.03.2018	**-**	**-**	**1,37,50,000**	**2.07**
10.	**Aberdeen Global - Asian Smaller Companies Fund**	1,15,63,883	1.92	1,15,63,883	1.92
	Add : Market Purchase on 05.05.2017	3,16,046	0.05	1,18,79,929	1.98
	Market Purchase on 12.05.2017	98,188	0.02	1,19,78,117	1.99
	Bonus shares on 28.07.2017	12,82,811	0.19	1,32,60,928	2.01
	Market Purchase on 04.08.2017	10,15,000	0.15	1,42,75,928	2.16

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) :

Sl.No.	For Each of the Top ten Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	Less : Market sale on 29.12.2017	(2,92,816)	0.04	1,39,83,112	2.11
	Market sale on 05.01.2018	(3,73,649)	0.06	1,36,09,463	2.05
	Market sale on 12.01.2018	(6,44,480)	0.10	1,29,64,983	1.95
	Market sale on 19.01.2018	(89,055)	0.01	1,28,75,928	1.94
	Add : Market Purchase on 26.01.2018	3,45,000	0.05	1,32,20,928	1.99
	Market Purchase on 02.02.2018	16,55,000	0.25	1,48,75,928	2.24
	Less : Market sale on 16.03.2018	(3,73,273)	0.06	1,45,02,655	2.18
	Market sale on 23.03.2018	(5,46,727)	0.08	1,39,55,928	2.10
	As on 31.03.2018	-	-	**1,39,55,928**	**2.10**

Note: Total paid up equity shares as on 1st April, 2017 - 60,10,64,881 and as on 31st March, 2018 - 66,47,29,209.

(v) Shareholding of Directors and Key Managerial Personnel :

Sl.No.	For Each of the Directors and KMP Sarvashri	Shareholding at the beginning of the year (01.04.2017)		Cumulative Shareholding during the year (31.03.2018)	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	**S. Mahalingam**	6,250	0.00	6,250	0.00
	Add : Bonus shares on 28.07.2017	625	0.00	6,875	0.00
	As on 31.03.2018	-	-	**6,875**	**0.00**
2.	**Dr. N. Kamakodi**	16,90,626	0.28	16,90,626	0.28
	Add : Bonus shares on 28.07.2017	1,69,062	0.03	18,59,688	0.28
	Less : Market sale on 15.09.2017	(30,000)	0.00	18,29,688	0.28
	Add : ESOP allotment on 20.10.2017	82,500	0.01	19,12,188	0.29
	Less : Market sale on 16.02.2018	(50,000)	0.01	18,62,188	0.28
	Market sale on 23.02.2018	(48,414)	0.01	18,13,774	0.27
	Add : ESOP allotment on 27.02.2018	82,500	0.01	18,96,274	0.29
	As on 31.03.2018	-	-	**18,96,274**	**0.29**
3.	**Prof. V. Kamakoti**	1,250	0.00	1,250	0.00
	Add : Bonus shares on 28.07.2017	125	0.00	1,375	0.00
	As on 31.03.2018	-	-	**1,375**	**0.00**
4.	**R. Mohan**	1,20,000	0.02	1,20,000	0.02
	Add : Bonus shares on 28.07.2017	12,000	0.00	1,32,000	0.02
	As on 31.03.2018	-	-	**1,32,000**	**0.02**
5.	**Smt. CA. Abarna Bhaskar**	30,064	0.01	30,064	0.01
	Add : Bonus shares on 28.07.2017	3,006	0.00	33,070	0.01
	As on 31.03.2018	-	-	**33,070**	**0.01**
6.	**M. Narayanan**	17,843	0.00	17,843	0.00
	Add : Bonus shares on 28.07.2017	1,784	0.00	19,627	0.00
	As on 31.03.2018	-	-	**19,627**	**0.00**
7.	**S. Bernard**	704	0.00	704	0.00
	Add : Bonus shares on 28.07.2017	70	0.00	774	0.00
	As on 31.03.2018	-	-	**774**	**0.00**

(v) Shareholding of Directors and Key Managerial Personnel :

Sl.No.	For Each of the Directors and KMP Sarvashri	Shareholding at the beginning of the year (01.04.2017)		Cumulative Shareholding during the year (31.03.2018)	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
8	**Subramaniam Narayanan#**	2,37,279	0.04	2,37,279	0.04
	Add : Market Purchase on 30.06.2017	1	0.00	2,37,280	0.04
	Add : Bonus shares on 28.07.2017	23,728	0.00	2,61,008	0.04
	As on 31.03.2018	-	-	**2,61,008**	**0.04**
9	**V N Shiva Shankar#**	6,37,384	0.11	6,37,384	0.11
	Change in shareholding	-	-	-	-
	As on 31.03.2018	-	-	**6,37,384**	**0.10**
10	**Dr. T S Sridhar#**	-	-	-	-
	Add : Market Purchase on 24.02.2017	100	0.00	100	0.00
	As on 31.03.2018	-	-	**100**	**0.00**
11	**T K Ramkumar ***	1,35,794	0.02	1,35,794	0.02
	Add : Bonus shares on 28.07.2017	13,579	0.00	1,49,373	0.02
	As on 31.03.2018	-	-	**1,49,373**	**0.02**
12	**C R Muralidharan ***	1,287	0.00	1,287	0.00
	Add : Bonus shares on 28.07.2017	128	0.00	1,415	0.00
	As on 31.03.2018	-	-	**1,415**	**0.00**
13	**Justice (Retd) S R Singharavelu ***	8,619	0.00	8,619	0.00
	Add : Bonus shares on 28.07.2017	861	0.00	9,480	0.00
	As on 31.03.2018	-	-	**9,480**	**0.00**
14	**V Ramesh (KMP)**	1,42,601	0.02	1,42,601	0.02
	Add : Market Purchase on 16.06.2017	9	0.00	1,42,610	0.02
	Bonus shares on 28.07.2017	14,261	0.00	1,56,871	0.02
	ESOP allotment on 20.10.2017	1,650	0.00	1,58,521	0.02
	As on 31.03.2018	-	-	**1,58,521**	**0.02**

#for the Directors appointed during the reporting cycle, the shareholding as at the beginning of the year is disclosed based on their holdings as on the date of their appointment.

*Sri.T.K. Ramkumar, Sri. C.R. Muralidharan and Justice (Retd) S.R. Singharavelu, Directors of the Bank has retired from the services of the Bank on 10.06.2017, 24.02.2018 and 24.02.2018 respectively.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(₹ in lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	Nil	53099.73	Nil	53099.73
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	Nil	75.41	Nil	75.41
Total (i+ii+iii)	**Nil**	**53175.14**	**Nil**	**53175.14**
Change in Indebtedness during the financial year				
Addition	1634506.20	3122681.81	Nil	4757188.01
Reduction	1622112.68	3014556.97	Nil	4636669.65
Net Change	**12393.52**	**108124.84**	**Nil**	**120518.36**
Indebtedness at the end of the financial year				
i) Principal Amount	12369.88	161218.17	Nil	173588.05
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	23.64	81.81	Nil	105.45
Total (i+ii+iii)	**12393.52**	**161299.98**	**Nil**	**173693.50**

Note : Secured loan represents CBLO borrowings.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL :

A. Remuneration to Managing Director, Whole Time Directors and / or Manager : (₹ in lakh)

Sl.No.	Particulars of Remuneration	Name of MD / WTD / Manager Dr. N. Kamakodi	Total Amount
1	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	78.25	78.25
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	10.34	10.34
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-
2	Stock Option - Perquisites	109.64	109.64
3	Sweat Equity	-	-
4	Commission - as % of profit - others, specify	-	-
5	Others, please specify		
	- Variable pay	3.00	3.00
Total (A)		**201.23**	**201.23**
Ceiling as per the Act		The remuneration paid to MD & CEO is well within ceiling limits as prescribed under the provisions of the Companies Act, 2013	

B. Remuneration to other Directors :

Sl.No.	Particulars of Remuneration	Name of Directors (Shri. / Smt)	Total Amount (₹)
1	Independent Directors - Fee for attending Board / Committee meetings	S. Mahalingam, - Remuneration (including value of perquisites) - Sitting Fees	 15,00,000 9,60,000
		Prof. V. Kamakoti	9,00,000
		Abarna Bhaskar	11,00,000
		R. Mohan	10,20,000
		M. Narayanan	7,90,000
		S. Bernard	9,50,000
		Subramaniam Narayanan	6,80,000
		V.N. Shiva Shankar	1,00,000
		Dr. T.S. Sridhar	1,10,000
		T.K. Ramkumar (Retd. on 10.06.2017)	1,60,000
		C.R. Muralidharan (Retd. on 24.02.2018)	7,60,000
		Total	**90,30,000**
	- Commission	S. Mahalingam	63,288
		Prof. V. Kamakoti	7,00,000
		Abarna Bhaskar	7,00,000
		R. Mohan	7,00,000
		M. Narayanan	6,38,630
		S. Bernard	4,87,123
		Subramaniam Narayanan	-
		V.N. Shiva Shankar	-
		Dr. T.S. Sridhar	-
		R.G. Chandramogan (Retd. on 29.07.2016)	2,30,137
		T.K. Ramkumar	7,00,000
		C.R. Muralidharan	7,00,000
		Total	**49,19,178**
	- Others, please specify	NA	-
		Total (1)	**1,39,49,178**

B. Remuneration to other Directors : (Contd.)

Sl.No.	Particulars of Remuneration	Name of Directors (Shri. / Smt)	Total Amount (₹)
2	Other Non-Executive Directors - Fee for attending Board / Committee meetings	Justice (Retd.) S.R. Singharavelu	7,80,000
	- Commission	Justice (Retd.) S.R. Singharavelu	7,00,000
	- Others, please specify	NA	-
		Total (2)	**14,80,000**
		Total (B) = (1)+(2)	**1,54,29,178**
		Total Managerial Remuneration (A+B)	**3,55,52,348**
		Overall Ceiling as per the Act	**NA**

Note : Profit linked commission for FY 2016 - 17 has been paid during FY 2017 - 18.

C. Remuneration to key managerial personnel other than MD / MANAGER / WTD : (₹ in lakh)

Sl.No.	Particulars of Remuneration	Key Managerial Personnel	
		CFO & CS	Total
1	Gross Salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	24.64	24.64
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	0.35	0.35
	© Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-
2	Stock Option	0.93	0.93
3	Sweat Equity	-	-
4	Commission		
	- as % of profit	-	-
	- others, specify	-	-
5	Others, please specify	-	-
	Total	**25.92**	**25.92**

Note : The above remuneration details given is for Sri.V Ramesh – General Manager - CFO & CS for the entire Financial Year 2017-18.

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES :

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority (RD / NCLT / COURT)	Appeal made, if any (Give Details)
A. Company					
Penalty					
Punishment					
Compounding					
B. Directors					
Penalty			NIL		
Punishment					
Compounding					
C. Other Officers in Default					
Penalty					
Punishment					
Compounding					

For and on behalf of the Board

Place : Chennai
Date : 22nd June, 2018

S. Mahalingam
Chairman

ANNEXURE IV

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. Brief outline on Bank's CSR policy and the overview of activities undertaken:

   CSR has always remained an integral part of the Bank. The Bank is committed towards serving the society in which it operates. The Bank understands the challenges and hazard faced by the environment in this contemporary world and has always ensured in making effective and meaningful contributions to positively impact the society in which it operates.

   During the FY 2017-18 the Bank has effectively carried out CSR activities covering diverse range of activities to have a high social impact. The main objective of the Bank's CSR policy is to bring about an overall positive development in improving the living standards of the society. During the year the Bank has made an active contribution towards the following causes :

   a) providing basic amenities to the communities under Swachh Bharat Mission,

   b) Financial literacy and Educational aid,

   c) Rural sports,

   d) Preventive Health care,

   e) Environment Sustainability and Preservation, and

   f) Restoration & Renovation of Ancient and Historical sites of archaeological importance.

   g) Water conservation

   The complete details on the manner of spending are provided at the end of this report.

2. Web-link of the Bank's CSR Policy: **http://investor.cityunionbank.com/downloads/corp_social_res.pdf**

3. CSR Committee Composition as on the latest date:

Dr. N. Kamakodi, MD & CEO	:	Chairman of the Committee
Smt. Abarna Bhaskar	:	Member
Prof. V. Kamakoti	:	Member
Shri. R Mohan	:	Member
Shri. S Bernard	:	Member

4. Average Net profits (Before Tax) for the last three financial years: ₹ 605.49 crore

5. CSR Expenditure (2% of item No. 4 above): ₹ 11.99 crore

6. Total amount spent: ₹ 9.70 crore

7. Amount unspent: ₹ 2.29 crore (The amount has already been sanctioned and will be released in due course)

Report on Corporate Social Responsibility

(₹ in crore)

Sl. No.	Sector	Projects	Locations	Budget project wise	Amount spent during FY 2018	Cumulative expenditure up to reporting period	Amount Spent : Direct or Through Agency
1.	Swachh Bharat Mission	Sanitation, Safe Drinking water, construction of toilets, water tanks and pipelines, Solid waste management	Thanjavur, Ariyalur, Tirunelveli, Tirupur, Chennai, Kanchipuram Districts.	7.22	5.77	17.09	Amount given to various municipalities / implementing agencies / organisations.
2.	Literacy and Rural Sports (N1)	Construction of smart / class rooms, Financial Literacy Programs, Promoting Rural sports & nationally recognised sports, promotion of Scientific learning & contribution to tech incubators.	Rishikesh, Uttarakhand & Tamil Nadu Districts.	2.40	2.68	6.72	Amount given to various municipalities / implementing agencies / organisations.
3.	Healthcare (N2)	Procurement of Operation Theatre equipments, Construction of hospital building, providing ambulance van, provision of health infrastructure & family welfare training centre, provision of Fogging sprayer machines for controlling mosquitoes, Distribution of Nilavembu syrup to the public in and around Kumbakonam for preventing occurence of Dengue fever.	Thanjavur, Nagapattinam, Ariyalur, Perambalur, Tirunelveli Dist. & Amritsar - Punjab.	1.08	1.11	2.90	Amount given to various municipalities / implementing agencies / organisations.
4.	Restoration and Renovation of sites of historical importance (N3)	Protection of heritage sites and monuments of archaelogical importance.	Thanjavur, Thiruvarur, Trichy Districts.	0.60	0.45	3.32	Amount given to various municipalities / implementing agencies / organisations.
5.	Environment Sustainability and Community Development (N4)	Contribution towards Ground water recharge pools, Maintenance of water bodies, de-silting Conservation of natural resources, Maintaining quality of soil, water & air, providing CCTV cameras for regulating road traffic, contribution to Old age homes, building of Infrastructure in railway platforms, promoting gender equality & other facilities to senior citizens.	Thanjavur, Thiruvarur Districts.	0.68	0.67	2.65	Amount given to Kumbakonam Municipality / various implementing agencies / organisations.
6.	Disaster Relief	Donation for Flood relief at Chennai, FY 2015-2016.	Chennai.	-	-	0.64	Donation given to Tamil Nadu State. Relief materials sent to affected people during FY 2015-16.

Report on Corporate Social Responsibility (Contd.) (₹ in crore)

Sl. No.	Sector	Projects	Locations	Budget project wise	Amount spent during FY 2018	Cumulative expenditure up to reporting	Amount Spent : Direct or Through Agency
7.	Measures for benefit of Armed forces veterans, war widows and their dependent	Conducting workshop" SANJOG 2016' for the children of war widows and jawans	Tamil Nadu	-	-	0.01	Amount given for conducting the workshop on " SANJOG 2016" for the children of war widows / jawans etc
TOTAL				**11.99**	**10.68**	**33.33**	

Note:

N1 Out of the Total Amount spent during FY 2018, an amount of ₹ 0.09 crore and ₹ 0.65 crore was spent from the unspent amount for FY 2015-16 and FY 2016-17 respectively.

N2 Out of the Total Amount spent during FY 2018, an amount of ₹ 0.04 crore was spent from the unspent amount for FY 2016-17.

N3 Out of the Total Amount spent during FY 2018, an amount of ₹ 0.04 crore and ₹ 0.03 crore was spent from the unspent amount for FY 2015-16 and FY 2016-17 respectively.

N4 Out of the Total Amount spent during FY 2018, an amount of ₹ 0.14 crore was spent from the unspent amount for FY 2016-17.

DETAILS OF UNSPENT AMOUNT OUTSTANDING AS ON 31st March, 2018

(₹ in crore)

Details \ Financial Year	2014-15	2015-16	2016-17	2017-18
Unspent amount	0.20	0.42	1.23	2.29

The above amounts has been duly budgeted for in the respective financial years and will be disbursed upon project completion in phased manner as per requirements of CSR beneficiary.

The CSR Committee of the Board hereby confirm that the implementation and monitoring of CSR activities is in compliance with the provisions of Companies Act 2013 and the CSR Policy of the Bank.

For and on behalf of the Board

Place : Chennai
Date : 22nd June, 2018

S. Mahalingam
Chairman

ANNEXURE - V

Details pursuant to the provisions of Section 197 of the Companies Act, 2013, read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Sl.No.	Requirements	Disclosure
1.	The ratio of the remuneration of each Director to the median remuneration of the employees of the Bank for the financial year ended 2018.	MD & CEO : 48.30x The remuneration of MD & CEO is regulated by RBI guidelines.
2.	The percentage increase in remuneration of each, CFO, CEO, CS in the financial year.	MD & CEO : 237.97% CFO & CS : 21.56% The remuneration of MD & CEO has increased in comparison with the previous year as a result of revision in remuneration and increase in the ESOP perquisites. The remuneration of CFO & CS has increased from the previous year as a result of revision in remuneration.
3.	The percentage increase in the median remuneration of employees in the financial year.	The median remuneration of the employees was increased by 6.79%. This increase in median remuneration is on account of the annual wage increase and increase in DA.
4.	No. of permanent employees on rolls of the Bank.	There were 5,319 employees as 31st March, 2018.
5.	Average percentage increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	Average employee salaries have increased by 6.01% in the Financial Year 2017-18. Average Managerial Personnel salaries have increased by 231.96% in the Financial Year 2017-18. The remuneration of employees increased on account of pay settlement entered into with the officers and staff unions by the management. The managerial remuneration increased on account of revision in pay structure approved by RBI and value of ESOP perquisites.
6.	Affirmation that the remuneration is as per the remuneration policy of the Bank.	Yes, it is confirmed.

For and on behalf of the Board

Place : Chennai
Date : 22nd June, 2018

S. Mahalingam
Chairman

ANNEXURE - VI

Details of Top Ten Employees of the Bank in terms of Remuneration drawn pursuant to Sec 197 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 for the year ended 31st March, 2018

Sl. No.	Name (Sarvashri)	Designation	Qualification	Age	Remuneration received (₹)*	Experience (in yrs.)	a. Date of Commencement of employment b. Nature of employment, whether contractual or otherwise	Last employment
1.	Dr. N. Kamakodi	MD & CEO	B.Tech, MBA, CAIIB, Ph.D	43	2,01,23,170	15	18-06-2003	Director - BuPro Solutions (P) Ltd.
2.	K.P. Sridhar	SGM	MA, CAIIB	56	41,26,519	8	24-05-2010	State Bank of India
3.	R. Venkatasubramanian	CGM	M.Com, MBA, M.Phil, CAIIB	56	39,92,175	9	14-10-2009	Kotak Mahindra Bank
4.	V. Gopalakrishnan	DGM	BA	47	34,10,404	22	04-04-1996	Not Applicable
5.	K. Maharajan	GM	B.Com, AICWA, CAIIB	53	31,52,579	15	05-09-2003	Bharat Overseas Bank Ltd
6.	S. Mohan	GM	MA, ACS, CAIIB	55	31,41,551	29	03-04-1989	Not Applicable
7.	V. Devanathan	AGM	BA	56	29,83,533	10	04-08-2008	South Indian Bank
8.	J. Ramaswamy	DGM	B.Com, CCA	55	27,73,907	29	10-11-1989	Not Applicable
9.	R. Mohan Sivalingam	CM	B.Com, CAIIB	58	27,56,090	8	10-11-2010	TamilNadu Mercantile Bank
10.	I. Sadiq Batcha	AGM	B.Sc, JAIIB	50	27,53,470	7	15-06-2011	HDFC Bank

* Remuneration includes salary and taxable perquisites as per Income Tax Act, 1961

For and on behalf of the Board

Place : Chennai
Date : 22nd June, 2018

S. Mahalingam
Chairman

ANNUAL BUSINESS RESPONSIBILITY REPORT

Section A : General Information about the Company

Corporate Identification no.(CIN) of the Company	L65110TN1904PLC001287
Name of the Company	CITY UNION BANK LIMITED
Registered address	No.149 T.S.R. (Big) Street, Kumbakonam - 612001
Website	www.cityunionbank.com
e-mail Id	shares@cityunionbank.com vramesh@cityunionbank.com
Financial Year Reported	2017-18
Sector(s) that the Company is engaged in (Industrial activity code wise)	National Industries Classification 2008 Section K : Financial and Insurance Activities Division 64, Code No.64191
List three key products / services that the Company manufactures / provides (as in Balance Sheet)	Retail Banking, Corporate Banking and Treasury
Total number of locations where business activity is undertaken by the Company	
a. Number of international locations (provide details of major 5)	Nil
b. Number of national locations	The Bank has 600 branches including 10 Banking outlets manned by BCs with 1,621 ATMs, as on 31st March, 2018.
Markets served by the Company - Local / State / National / International	National

Section B : Financial Details of the Company

1.	Paid up capital (INR)	₹ 66,47,29,209.00
2.	Total Turnover (INR)	₹ 3934,52,20,068.73
3.	Total Profit after Taxes (INR)	₹ 591,99,79,348.03
4.	Total spending on corporate social responsibility (CSR) as percentage of profit after tax (%)	1.64%
5.	List of activities in which expenditure in 4 above has been incurred	Refer page no. 50 of Annual report

Section C : Other Details

Does the Company have any Subsidiary Company / Companies?	No
Do the Subsidiary Company / Companies participate in the BR initiatives of the parent Company? If yes, then indicate the number of such Subsidiary Company(s).	NA
Do any other entity / entities (eg: suppliers, distributors etc.,) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity / entities? [Less than 30%, 30-60%, More than 60%]	No

Section D : BR Information

1. Details of Director / Directors responsible for BR

a)	Details of Director(s) responsible for implementation of the BR policy(s)	
	DIN Number	: 00121727
	Name	: S. Mahalingam
	Designation	: Chairman
b)	Details of the BR head	
	DIN Number (if applicable)	: 06902614
	Name	: R. Mohan
	Designation	: Independent Director
	Telephone number	: 93823 20980
	e-mail Id	: meetmohanr@gmail.com

2. Principle wise (as per NVGs) BR Policy(s)

The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) released by the Ministry of Corporate Affairs has adopted nine areas of Business Responsibility.

These briefly are as follows :

P1. Business should conduct and govern themselves with ethics, transparency and accountability.

P2. Business should provide goods and services that are safe and contribute to sustainability throughout the life cycle.

P3. Business should promote the well being of all employees

P4. Business should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

P5. Business should respect and promote human rights.

P6. Business should respect, protect and make efforts to restore the environment.

P7. Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.

P8. Business should support inclusive growth and equitable development.

P9. Business should engage with and provide value to the customers and consumers in a responsible manner.

a) Details of compliance

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy or policies for	Y	Y	Y	Y	Y	Y	N	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	-	Y	Y
3.	Does the policy conform to any national / international standards? If yes, specify	Y	Y	Y	Y	Y	Y	-	Y	Y
4.	Has the policy being approved by the Board? If yes, has it been signed by MD / Owner / CEO / Appropriate Board Director?	Y	Y	Y	Y	Y	Y	-	Y	Y
5.	Does the Company have a specified Committee of the Board / Director / Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	-	Y	Y
6.	Indicate the link for the policy to be viewed online? *	N1	N1	N1	N1	N1	N2	-	N2	N3
7.	Has the policy been formally communicated to all relevant internal and external stakeholders	Y	Y	Y	Y	Y	Y	-	Y	Y

Details of compliance (Contd.)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
8.	Does the company have in-house structure to implement the policy(s)	Y	Y	Y	Y	Y	Y	-	Y	Y
9.	Does the company have a grievance redressal mechanism related to the policy(s) to address stakeholders grievances related to the policy(s)?	Y	Y	Y	Y	Y	Y	-	Y	Y
10.	Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	-	Y	Y

*Notes :

N1. The Bank has policies on this which are available internally to its employees.

N2. CSR weblink: **https://www.cityunionbank.com/downloads/corp_social_res.pdf**

N3. Customer Rights Policy weblink: **https://www.cityunionbank.com/downloads/customer_rights_policy.pdf**

Principle wise policies :

Principle	Policy details
P1.	The Bank has policies as follows:Whistle Blower Policy, HR Policy, Fraud Risk Management, Code of Fair Practices and Disclosures on UPSI,Compliance Policy, KYC policy, Related Party Transactions, Code of Conduct for Directors and Senior Management and Protected Disclosure Scheme.
P2.	The Bank has policies on Information Technology, Information Security System and Information System Audit which contributes to safe and secure services to all relevant stakeholders. Further, the Bank as part of the service sector provides financial product services to various stakeholders contributing to their business cycle.
P3.	Compensation Policy, Staff Rotation Policy, HR Policy, Mandatory Leave Policy, Training Policy and Policy on Prevention of Sexual Harassment.
P4.	The Bank through its Loan policy and Financial Inclusion programs addresses this principle to the benefit of disadvantaged, marginalized and the vulnerable.
P5.	The Bank has a Policy on Customer. The Bank well recognizes and respects all human beings and their rights for efficient and smooth conduct of business.

Principle wise policies :

Principle	Policy details
P6.	Given its nature and scope of activities the Bank does not have direct bearing on the applicability of the principle. Hence there is no specific policy. However, under CSR, the Bank takes up activities which promotes clean environment.
P7.	The Bank does not have any specific policy on the principle. However, the MD & CEO of the Bank is the Honorary Secretary of Indian Banks Association (IBA) and advocates on various issues during IBA meetings.
P8.	Bank carries out all the mandates of the Government as well as Reserve Bank of India in order to foster inclusive growth and equitable development. In addition, activities under Corporate Social Responsibility furthers these objectives.
P9.	Customer Rights Policy, Policy on Outsourcing of Financial Services, Bank Deposits, Loan Policy, Information System Security Policy, Policy on Grievance Redressal.

b) If answer to the question at serial no.1 against any principle is 'No' please explain why.

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	The company has not understood the principles									
2.	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles							✓		
3.	The company does not have financial or manpower resources available for the task									
4.	It is planned to be done within the next six months									
5.	It is planned to be done within the next one year									
6.	Any other reason									

3. Governance related to BR

a) Indicate the frequency with which the Board of Directors, Committees of the Board or CEO to assess the BR performance of the company. Within 3 months, 3-6 months, 1 year, More than 1 year.

The Bank has constituted a CSR Committee which met **5 times** during the year. Dr. N. Kamakodi, MD & CEO of the Bank is the Chairman of the Committee and most of the parameters were reviewed during such meetings.

b) Does the Company publish a BR or a sustainability Report? What is the hyperlink for viewing the report? How frequently it is published?

No

Section E : Principle-wise performance

Principle 1

1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes / No. Does it extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs and Others?

Yes, it relates to the Bank and its employees only.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management ? If so, provide details thereof.

A total of 22,122 complaints were received from the Stakeholders (Shareholders & Customers) during the reporting year and 99.55% cases were resolved. Members may please refer Page No. 67 for shareholders complaints and Page No. 125 for Customer complaints in this Annual Report.

Principle 2

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and / or opportunities

a. Social Banking through Financial inclusion programs, distribution of Government Insurance and Pension Schemes, Swayam Graha Home Loan schemes

b. Agricultural Business. The Bank has a major presence in South India and considering the potential for Agri-business, the Banks provides various kinds of financing to tap this sector in line with the guidelines issued by RBI.

c. Lending business to sustainable sectors as per the Bank's loan policy and RBI guidelines.

2. For each such product, provide the following details in respect of resource use (energy, water, raw materials etc.) per unit of product (optional)

a. Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain?

b. Reduction during usage by consumer (energy, water) has been achieved since the previous year.

Considering the nature of business carried out by the Bank, this is not applicable to us.

3. Does the Company have procedures in place for sustainable sourcing (including transportation)?If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof.

This principle has no scope in Banking services.

4. Has the Company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

The Bank makes use of services of people belonging to weaker sections in the surrounding areas for the upkeep and maintenance of premises.

5. Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and Waste (separately as <5%, 5-10%, >10%). Also, provide details thereof.

The Bank belongs to Financial Services Sector and paper waste and e-waste are the identifiable waste products for recycle. The Bank has tie-ups with local vendors for disposal of such wastes.

Principle 3

1. Please indicate the total number of employees : 5,319
2. Please indicate the total number of employees hired on temporary / contractual / casual basis : 65
3. Please indicate the number of permanent women employees : 1,458
4. Please indicate number of permanent employees with disabilities : 17
5. Do you have an employee association that is recognized by management ?

   Yes, CUB Officers Association (CUBOA) and CUB Staff Union (CUBSU) are recognized by the Management.
6. What percentage of your permanent employees is members of this recognized employee association?

   Number of CUBOA - 100%

   Number of CUBSU - 59%
7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on the end of the financial year
1.	Child labour / forced labour / involuntary labour	Nil	Nil
2.	Sexual Harassment	Nil	Nil
3.	Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety and skill up-gradation training in the last year?

   a. Permanent employees

   b. Permanent women employees

   c. Casual / Temporary / Contractual employees

   d. Employees with disabilities

   4,368 permanent employees were imparted classroom-based training during the year which is 82.12% of the Bank's total employees.

   This apart, employees including officers / executives are recommended for various training programs / workshops conducted by CAFRAL, SIBSTC, NIBM, RBI Staff College etc.

Principle 4

1. Has the Company mapped its internal and external stakeholders?

   Yes

2. Out of the above, has the Company identified the disadvantaged, vulnerable and marginalized stakeholders

   The Bank identifies the disadvantaged and marginalized sections through its financial inclusion programs.

3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof

   In the financial Inclusion program, the Bank undertakes financial literacy classes as part of its efforts to educate the marginalized section. The Bank engages with the disadvantaged, vulnerable and marginalized stakeholders in various ways by offering various services including that for Agricultural and Government sponsored schemes.

Principle 5

1. Does the policy of the Company on Human Rights cover only the Company or extends to the Group / Joint Ventures / Suppliers / Contractors / NGOs / others?

   The Bank does not have any specific policy on Human Rights. However, the Bank has put in place a policy on Consumer Rights which takes care of the human rights of all relevant stakeholders.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

   Kindly refer Section E, Principle 1 (2).

Principle 6

1. Does the policy related to principle 6 cover only the Company or extends to the Group / Joint Ventures / Suppliers / Contractor/ NGOs / Others?

   As stated earlier there is no specific policy on this principle. However, the Bank caters to the environment and sustainability aspects through its CSR activities

2. Does the Company have strategies / initiatives to address global environmental issues such as climate change, global warming etc? if yes, please give hyperlink for web page.

   Though Banking business does not have a direct bearing on this principle under Corporate Social Responsibility, the Bank supports green initiative by undertaking annual maintenance of certain Public Parks around Trichy, Kumbakonam and Sivaganga districts of Tamil Nadu.

3. Does the Company identify and assess potential environmental risks?

   Yes.

4. Does the Company have any project related to clean development mechanism? If so, provide details thereof. If yes, whether any environmental compliance report is filed?

   No.

5. Has the Company taken any other initiatives on – clean technology, energy efficiency, renewable energy etc., if yes, please give hyperlink for the webpage.

   No.

6. Are the emissions / waste generated by the Company within the permissible limits given by CPCB / SPCB for the financial year being reported?

   Not applicable.

7. Number of show cause / legal notices received from CPCB / SPCB which are pending (i.e., not resolved to satisfaction) as on end of financial year.

   None

Principle 7

1. Is your Company a member of any trade and chamber or association? If yes, Name only those major ones that your business deals with:

   City Union Bank Ltd. (CUB) is a member of Indian Bank's Association (IBA)

2. Have you advocated / lobbied through above associations for the advancement or improvement of public good? (Yes / No) if yes, specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive development policies, Energy Security, Water, Food Security, Sustainable Business Principles, others)

   Yes, the MD & CEO of the Bank in the capacity of Honorary Secretary of IBA, actively participates in IBA council meetings. During the meetings, the MD & CEO of the Bank has advocated on various development policies.

Principle 8

1. Does the Company have specified programmes / initiatives / projects in pursuit of the policy related to principle 8? If yes details thereof.

   The Bank has a Corporate Social Responsibility (CSR) Policy which contributes to inclusive growth and equitable development. The Bank undertakes financial literacy and inclusive banking measures to enlighten the weaker sections. The Bank has a lending policy which covers various sectors including MSME for equitable development.

2. Are the programmes / projects undertaken through in-house team / own foundation / external NGO / government structures / any other organization?

   The programmes are undertaken directly by the Bank through its CUB Foundation

3. Have you done any impact assessment of your initiative?

   The assessment of CSR activities of the Bank is done by the Board at its meeting.

4. What is your Companies direct contribution to community development projects ? (Amount in INR and the details of the projects undertaken).

   During the year 2017-18, the Bank has spent ₹ 10.68 crore towards various CSR initiatives. For further details on CSR activities please refer Annexure IV to Director's Report.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain

   Yes, a separate trust floated by the Bank called CUB Foundation takes care of this aspect.

Principle 9

1. What percentages of customer complaints / consumer cases are pending as on the end of the financial year?

   Refer Section E Principle 1 Point No.2

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes / No / NA / Remarks (additional information).

   Yes, all requisite information are made available to the customers through website, SMS alerts etc. The Bank maintains utmost transparency in dealing with all stakeholders.

3. Is there any case by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and / or anti-competitive behavior during the last five years and pending as on end of financial year? if so, provide details thereof.

   None

4. Did your Company carry out any consumer survey / customer satisfaction trends?

   Yes, the Bank conducts monthly customer meets at branch level comprising of Manager, Office members and customers to effectively address and implement their grievances and suggestions. Also, frequent branch visits are made by the top executives of the Bank to ensure the efficacy of the process.

REPORT ON CORPORATE GOVERNANCE

(Forming part of the Directors' Report for the year ended 31st March, 2018)

Corporate Governance is the system of rules, practices and processes by which a Company is operated, directed and controlled. It is in fact conducted by the Board of Directors and the concerned Committees for the benefit of various stakeholders. The actual goals are to be balanced with Individual and Societal goals along with Economic and Social goals.

Since the main objective of Corporate Governance is to provide a lawful framework to attain the Companies objectives it encompasses every sphere of management from action plans & internal controls to performance measurement & corporate disclosure.

This Report on Corporate Governance is set out pursuant to Schedule V (C) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (the "Listing Regulations") and forms part of the Directors Report for the financial year ended 31st March, 2018.

1. BANK'S PHILOSOPHY ON CODE OF GOVERNANCE

City Union Bank Ltd (herein after called the "Bank") believes that a good corporate governance structure is the one which directs & controls the affairs of the Bank to sustain stakeholders' value creation. Bank's governance framework recognizes Transparency, Integrity, Honesty and Accountability as core values, and the management believes that the practise of each of these creates the right corporate culture fulfilling the purpose of Corporate Governance.

The Bank's governance code is available on the bank's website www.cityunionbank.com for general information to all stakeholders. However it is to be recognized that Corporate Governance is not just a destination but a consistent journey to consolidate and enhance sustainable value creation to the Bank by adhering the core values.

The Bank continues to believe strongly in adopting and adhering to the best governance practises and benchmarking itself against the industries best practices. The Bank always endeavours to achieve the highest levels of governance as a part of its accountability and responsibility towards the shareholder and other stakeholders. Transparency, Fairness, Responsibility and Integrity continue to be at the epicentre in achievement of good Corporate Governance and the Bank is strongly committed to adhering to the principles for enhancing the stakeholders' values.

The code aims:

a) to enhance the long term wealth creation of its shareholders, provide good management standards, adopt prudent risk management techniques and comply with the required benchmark of capital adequacy, thereby safeguarding the interest of its stakeholders such as shareholders, investors, depositors, creditors, borrowers and employees to maximise benefits to all.

b) to identify and recognise the Board of Directors and the Management of the Bank as the principal instruments through which good corporate governance principles are articulated and implemented. The main objective of good Corporate Governance is to identify and recognise accountability, transparency and equality of treatment for all stakeholders.

The Bank continues to achieve Corporate Excellence by imbibing the following principles:-

a) Adhere to the Laws and Regulations both in letter and spirit.

b) Total commitment to follow ethical practices in all facets of Banking to ensure efficiency in operations so as to maximise value and benefit to all stakeholders.

c) To make employees accountable and take responsibility for completion of work within specified time lines, while adhering to risk controls and policy framework.

d) Strict adherence to prudent Banking norms and values in the conduct of day to day Banking operations.

2. BOARD OF DIRECTORS

The Board of Directors of the Bank is constituted in accordance with the Articles of Association of the Bank, the provisions of Banking Regulation Act, 1949, the Companies Act, 2013 and the SEBI Listing Regulations, 2015. The composition of the Board as on 31st March, 2018 was ten Directors comprising of Independent Part-Time Chairman, Managing Director & CEO, and eight Independent Directors (including one woman Director). None of the Directors of the Bank are related to one another.

The Board's actions and decisions are aligned with the best interests of the Bank. The Board periodically evaluates the Bank's strategic direction, risk and its mitigation measures, financial and business reports, management policies and their effectiveness etc. Frequent interaction with the Banks senior management sets the agenda for meetings and provides roadmap for the Banks future growth.

Name of the Director Sarvashri	Sector Representation	Category	No. of other Directorships held	No. of shares
S. Mahalingam (DIN:00121727)	Accountancy, Finance and Technology	Chairman (w.e.f. 04.05.2016)	12	6,875
Dr. N. Kamakodi (DIN:02039618)	Banking	Managing Director & CEO	Nil	18,96,274
Prof. V. Kamakoti (DIN:03537382)	Technology	Independent Director	Nil	1,375
R. Mohan (DIN:06902614)	Banking, Agriculture and SSI	Independent Director	Nil	1,32,000
Smt. Abarna Bhaskar (DIN:06971635)	Accountancy and Banking	Independent Director	Nil	33,070
M. Narayanan (DIN:00682297)	Accountancy, Agriculture & Rural Economy	Independent Director	Nil	19,627
S. Bernard (DIN:01719441)	Banking and Accountancy	Independent Director	Nil	774
Subramaniam Narayanan (DIN :00166621)	Accountancy and Finance	Independent Director (w.e.f. 20.06.2017)	8	2,61,008
V. N. Shiva Shankar* (DIN : 00929256)	Law and Accountancy	Independent Director (w.e.f. 07.02.2018)	7	6,37,384
Dr. T. S. Sridhar* (DIN : 01681108)	Agriculture & Rural Economy, SSI and Co-operation	Independent Director (w.e.f. 07.02.2018)	Nil	100

*Co-opted as additional directors during the year to hold the office upto the date of ensuing AGM.

Attendance at Board Meetings, previous Annual General Meeting, number of other Directorships and Committee membership(s) / Chairmanship(s) of each Director is as under :

Name of the Director Sarvashri	Board Meetings		Attendance at AGM held on 23.08.2017	Directorship in other Public Ltd., Companies	Committee Membership (Chairmanship) in other Companies
	Held during the Tenure	Meeting Attended			
S. Mahalingam	13	13	Yes	8	6 (3)
Dr. N. Kamakodi	13	12	Yes	Nil	Nil
T. K. Ramkumar (up to 10.06.2017)	2	2	NA	Nil	Nil
C.R. Muralidharan (up to 24.02.2018)	11	11	Yes	3	1(1)
Justice.(Retd.) S.R. Singharavelu (up to 24.02.2018)	11	11	Yes	Nil	Nil
Prof. V. Kamakoti	13	13	Yes	Nil	Nil
R. Mohan	13	13	Yes	Nil	Nil
Smt. Abarna Bhaskar	13	12	Yes	Nil	Nil
M. Narayanan	13	12	Yes	Nil	Nil
S. Bernard	13	13	Yes	Nil	Nil
Subramaniam Narayanan (w.e.f. 20.06.2017)	11	10	Yes	2	1(1)
V. N. Shiva Shankar (w.e.f. 07.02.2018)	2	2	No	2	Nil
Dr. T. S. Sridhar (w.e.f. 07.02.2018)	2	2	No	Nil	Nil
Meetings held on: 27.04.2017, 29.05.2017, 20.06.2017, 21.07.2017, 09.08.2017, 23.08.2017, 18.09.2017, 08.11.2017, 27.11.2017, 20.12.2017, 07.02.2018, 27.02.2018 and 24.03.2018					

Note: As per Regulation 26 of SEBI Listing Regulations, 2015, the Directorship and Committee positions held by the Directors in other Public Limited Companies (including unlisted entities) only have been considered and also, only Audit and Stakeholders Relationship Committee have been considered for reckoning Committee positions. Further, none of the Directors of the Bank were members of more than 10 Committees or acted as Chairman of more than 5 committees across all Public Limited Companies.

The meetings were conducted in line with the provisions of Companies Act, 2013, SEBI Listing Regulations, 2015 and the Secretarial Standards on Board Meetings issued by the Institute of Company Secretaries of India (ICSI). All meetings were conducted with proper quorum and without any adjournments. The date and place of the meeting as well as the agenda papers were forwarded to all the Directors well in advance to enable the Board members schedule and prepare for the meeting. The Directors had access to all additional information on the agenda to facilitate meaningful, informed and focused discussions at the meetings. Executives of the Bank were also invited to attend the Board meetings to provide necessary clarifications.

3. COMPOSITION OF COMMITTEES OF THE DIRECTOR AND THEIR ATTENDANCE AT THE MEETINGS AS ON 31st MARCH, 2018.

The Bank, in order to facilitate informed decision making in the best of its interests, has constituted certain committees with pre-defined terms of reference and have delegated specific powers for effective functioning. These committees monitor the activities falling within their terms of reference. The Bank has 13 Committees as of 31st March, 2018 which is as follows :

I. Audit Committee of Board

The terms and reference of the Audit Committee are

in consonance with the RBI guidelines, SEBI Listing Regulations, 2015 and in accordance with Section 177 of the Companies Act, 2013 and the same is detailed herein below:

a. Oversight of the Bank's financial Reporting Process and the Disclosure of its Financial Information to ensure that the financial statements are correct, sufficient and credible.

b. Recommend to the Board the appointment, re-appointment or if required, the replacement or removal of the statutory auditor together with the terms of appointment of the auditor, fixation of audit fees and approval of payment for any other services rendered by the statutory auditors.

c. Discuss with Statutory Auditors, before the commencement of audit, the nature and scope of audit and also conduct post audit discussion to ascertain any area of concern.

d. Review the performance of Concurrent Auditors.

e. Review with the management, the quarterly Financial Statements before submission to the Board for approval and secure the certificate from CFO in terms of requirements under the SEBI Listing Regulations, 2015.

f. Review, with the management, the Annual Financial Statements and Auditor's Report thereon before submission to the Board for approval with particular reference to matters required to be included in Directors' Responsibility Statement as per Companies Act, 2013, accounting policies and practices, compliance with accounting standards, qualifications in draft audit report and other legal requirements relating to financial statements.

g. Discuss significant Audit findings including those of Concurrent Audit and follow up thereon.

h. Review the adequacy of the Audit and compliance functions, including their policies, procedures, techniques and other regulatory requirements.

i. Review the findings of any internal investigations conducted by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

j. Review of all reports as per the Calendar of Reviews stipulated by the RBI.

k. Review of Compliance Report on Corporate Governance.

l. Review of risk management, internal financial controls and Independent evaluation of Operational Risk Management Function.

m. Review compliance functions in the Bank and monitor compliance in respect of Annual Financial Inspection by RBI.

n. Review the functioning of the Whistle Blower mechanism.

o. Any other function as may be stipulated by SEBI, Companies Act, RBI, Stock Exchanges and any other regulatory authorities from time to time.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
S. Mahalingam	13	13
T.K. Ramkumar (upto 29.05.2017)	02	02
C.R. Muralidharan (upto 06.02.2018)	11	11
Smt. Abarna Bhaskar	13	12
M. Narayanan	13	12
Subramaniam Narayanan (since 21.07.2017)	10	09
R. Mohan (since 24.03.2018)	01	01
Meetings held on: 27.04.2017, 29.05.2017, 20.06.2017, 21.07.2017, 09.08.2017, 23.08.2017, 17.09.2017, 07.11.2017, 27.11.2017, 20.12.2017, 06.02.2018, 27.02.2018 and 24.03.2018		

The Company Secretary of the Bank acted as the Secretary of the Committee in all the meetings.

II. Stakeholders Relationship Committee of the Board

The Committee has been constituted in accordance with the provisions of Companies Act, 2013 and SEBI Listing Regulations, 2015. The Committee meets to attend the following matters as detailed below:

a. Reviewing and redressing the complaints received from shareholders / Investor grievance mechanism and any other security holders with respect to transfer of shares, issuance of fresh share certificates, non receipt of dividends / dividend warrant, annual reports, non receipt of share certificates, etc.,

b. Overseeing the Shareholders Services Mechanism of the Bank by obtaining quarterly report on Grievances and Redressal.

c. Any other matters connected with Investors as may be stipulated by SEBI, Companies Act, RBI, Stock Exchanges and any other regulatory authorities from time to time.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
S. Mahalingam	04	04
Prof. V. Kamakoti	04	04
T. K. Ramkumar (upto 27.04.2017)	01	01
Justice (Retd.) S.R. Singharavelu	04	04
Smt. Abarna Bhaskar	04	04
Subramaniam Narayanan (since 21.07.2017)	03	03
Meetings held on: 27.04.2017, 21.07.2017, 07.11.2017 and 07.02.2018		

Name and Designation of the Compliance Officer : **Shri. V.Ramesh**, Company Secretary

The Investors complaints received during the year under review is as follows:

Pending at the beginning of the year : 0
Received during the year : 8
Disposed off during the year : 8
Pending at the end of the year : 0

All complaints received from investors during the year have been attended to and redressed within the statutory time limits.

III. Credit Committee of the Board

Terms of reference :

a. Consider and sanction credit proposals falling beyond the sanctioning powers of MD & CEO and within the specified limit as prescribed by the Board from time to time.

b. Review the performance of Credit Appraisal Committee (CRAPCO) which scrutinize the credit proposals above ₹ 1crore and above.

c. Reviewing any other matters relating to credit sanction as and when recommended by the Board.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
Dr. N. Kamakodi	13	12
Justice (Retd) S.R.Singharavelu (upto 07.02.2018)	10	10
R. Mohan	13	13
Smt. Abarna Bhaskar	13	12
S. Bernard	13	13
Subramaniam Narayanan (since 19.03.2018)	02	01
Meetings held on: 27.04.2017, 29.05.2017, 20.06.2017, 21.07.2017, 23.08.2017, 18.09.2017, 08.11.2017, 27.11.2017, 20.12.2017, 07.02.2018, 27.02.2018, 19.03.2018 and 24.03.2018.		

IV. Committee of the Board for Reviewing NPA and Suit accounts

Terms of reference - To review:

a. NPA in Domestic and Forex Credits

b. Suit / Non-Suit and Technically written off accounts above ₹ 50 lakh

c. Large NPA accounts of more than ₹ 1 crore

d. Fresh slippages during the quarter including quick mortality cases

e. Recovery / account closed / regularized during the period and

f. Performance of NPA accounts sold to ARCs

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
Dr. N. Kamakodi	04	04
Justice (Retd.) S.R.Singharavelu (upto 27.11.2017)	03	03
R. Mohan	04	04
Smt. Abarna Bhaskar	04	04
M. Narayanan (since 17.09.2017)	03	03
Meetings held on: 20.06.2017, 17.09.2017, 27.11.2017 and 27.02.2018		

V. Risk Management Committee of the Board

The terms and reference of the Risk Management Committee of the Board of Directors is detailed herein below:

a. To oversee the performance of Risk Management function in pursuance to the Risk Management Guidelines issued periodically by RBI & Board.

b. Defining risk appetite, tolerance and to initiate risk mitigation techniques with the approval of the Board

c. To review systems of Risk Management framework, compliance to identify, measure, control and report key risks and internal controls.

d. To prepare framework for alignment of business strategy with the Board's risk appetite / directives / guidelines.

e. To review the Asset Liability Management (ALM) of the Bank on regular basis.

f. To decide the policy and strategy for Integrated Risk Management containing various risk exposures of the Bank including the credit, market, liquidity, operational, reputation risk and other risks specified under Pillar II.

g. To review risk return profile of the Bank, Capital Adequacy based on the risk profile of the Bank's Balance Sheet, Basel - II implementation, assessment of Pillar II risk under Internal Capital Adequacy Assessment Process (ICAAP), Business Continuity Plan and Disaster Recovery Plan, Key Risk Indicators and Significant Risk Exposures.

h. To review the effectiveness of the Bank's internal control and risk management framework, in relation to its core strategic objectives, and to issue necessary directions thereof.

i. To consider any major regulatory issues that may have bearing on the risks and risk appetite of the Bank.

j. Any other functions as may be stipulated by SEBI, Ministry of Corporate Affairs, RBI, Stock Exchanges and any other statutory authorities from time to time.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
S. Mahalingam	04	04
Dr. N. Kamakodi	04	04
C.R. Muralidharan (upto 27.11.2017)	03	03
Prof. V. Kamakoti	04	04
R. Mohan	04	04
Subramaniam Narayanan (since 18.09.2017)	03	02
Meetings held on: 20.06.2017, 18.09.2017, 27.11.2017 and 27.02.2018		

VI. Customer Service Committee of the Board

The Reserve Bank of India (RBI) as per the recommendations of Shri. S. S. Tarapore Committee set up the Banking Codes and Standards Board of India (BCSBI) to ensure effective customer service by the Banks. The BCSBI ensures that the common person as a consumer of financial services from the Banking Industry is in no way at a disadvantageous position and really gets what he / she has been promised.

In accordance with BCSBI guidelines, the Bank is having an effective Customer Service Committee for

monitoring the quality of services rendered to its customers and ensuring regulatory compliances in this regard. To ensure effectiveness, the Bank has constituted a Standing Committee on Customer Service at the executive level which reviews the suggestions / complaints of customers. The Customer Service Committee of the Board based on the feedback and recommendations made by Standing Committee takes necessary actions aiming at enhanced customer centric Banking.

The terms of references are as mentioned below:

a. Bring about ongoing improvements in the quality of customer service provided by the Bank and exploring innovative measures towards enhancing the quality of customer service and improving the level of customer satisfaction of all categories of the Bank's clientele.

b. Provide guidance in improving the customer service level.

c. Comply with the recommendations of the Committee on Procedures and Performance Audit on Public Services (CPPAPS) constituted by RBI under the Chairmanship of Dr. S. S. Tarapore, former Deputy Governor of RBI.

d. Ensure that the Bank provides and continues to provide, best in class service across all categories of customers which will help the Bank in protecting and enhancing its brand equity.

e. Examine any other issues having a bearing on the quality of customer service rendered.

f. Ensure implementation of directives received from RBI with respect to rendering services to customers of the Bank.

g. Review the details and basis of awards, if any, passed by the Banking Ombudsmen on the Bank.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
Dr. N. Kamakodi	01	01
R. Mohan	01	01
Prof. V. Kamakoti	01	01
Subramaniam Narayanan	01	01
Dr. T. S. Sridhar	01	01
Meetings held on: 23.03.2018		

VII. Nomination Committee of the Board

The terms of reference of Nomination Committee cover the matters specified under Section 178 of the Companies Act, 2013 & SEBI Listing Regulations, 2015 which are as follows:

a. Undertake the process of due diligence to determine the suitability of any person for appointment / continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.

b. Carry out the performance evaluation of every Director

c. Examine the vacancies that will come up at the Board on account of retirement or otherwise i.e., succession planning.

d. Determine / review the criteria for the performance evaluation of Independent Directors and the Board of Directors and to determine the continuance of an Independent Director(s) based on the report of evaluation of Independent Directors.

e. Identify persons who may be appointed in senior management and recommend to the Board of Directors as to their appointment and removal.

f. Ensure Board diversity in terms of the Banking Regulation Act,1949 the Reserve Bank of India guidelines, the Companies Act, 2013, SEBI Listing Regulations, 2015 etc., at all times.

g. Any other functions as may be stipulated by SEBI, Companies Act, RBI, Stock Exchanges and any other regulatory authorities from time to time.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
S. Bernard	03	03
Prof. V. Kamakoti	03	03
Justice (Retd) S.R. Singharavelu	03	03
Smt. Abarna Bhaskar	03	03
R. Mohan	03	03
Meetings held on: 27.04.2017, 20.06.2017 and 07.02.2018		

VIII. Committee of the Board for Monitoring and Follow up of Frauds

As per the directions of the Reserve Bank of India, the Board has constituted a Special Committee exclusively to monitor and follow up cases of fraud involving ₹ 1 crore and above.

The terms of reference of the Committee are as mentioned below:

a. Identify the *lacunae*, if any, in the systems that facilitated perpetration of the fraud and put in place measures to plug the same.

b. Identify the reasons for delay in detection, if any, reporting to top management of the Bank and Reserve Bank of India.

c. Monitor the progress of Police investigation and recovery position.

d. Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time.

e. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls.

f. Put in place additional measures as may be desired to strengthen preventive measures against frauds.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
Dr. N. Kamakodi	04	03
C.R.Muralidharan (upto 20.12.2017)	03	03
Justice (Retd) S.R. Singharavelu (upto 20.12.2017)	03	03
Smt. Abarna Bhaskar	04	03
S. Bernard (since 08.11.2017)	03	03
Meetings held on: 20.06.2017, 08.11.2017, 20.12.2017 and 27.02.2018		

IX. Compensation & Remuneration Committee of the Board

The terms of reference of Compensation and Remuneration Committee of the Board of Directors are as follows:

a. Formulate and review the Remuneration / Compensation Policy of the Bank as per the directions of RBI.

b. Administer the Employee Stock Option Scheme of the Bank as formulated in SEBI (SBEB) Regulation, 2014.

c. Review of compensation to employees and executives including the Managing Director & CEO of the Bank.

d. Recommend Remuneration including Variable Pay for MD & CEO of the Bank.

e. Recommend Compensation to the Non-Executive Directors subject to the limits contained under the Companies Act, 2013 and the Reserve Bank of India guidelines.

f. Any other functions as may be stipulated by SEBI, Ministry of Corporate Affairs, RBI, Stock Exchanges and any other statutory authorities from time to time.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
S. Mahalingam	05	05
T.K. Ramkumar (upto 27.04.2017)	01	01
R. Mohan	05	05
Smt. Abarna Bhaskar	05	05
S. Bernard	05	05
V. Kamakoti (since 18.09.2017)	03	03
Meetings held on: 27.04.2017, 20.06.2017, 18.09.2017, 07.02.2018 and 27.02.2018		

X. Information Technology Strategy Committee of the Board

The Board of the Bank, pursuant to the recommendation of the Gopalakrishna Committee has constituted Information Technology Strategy Committee with the objective to perform the functions as mentioned below:

a. Approving IT strategy and policy documents;

b. Ensuring that the management has put an effective strategic planning process in place;

c. Ensuring that the IT strategy is aligned with business strategy;

d. Ensuring that the IT organizational structure serves business requirements and direction;

e. Supervising the implementation of the processes and practices that ensures IT delivers value to the businesses;

f. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;

g. Determining the IT resources needed to achieve strategic goals and provide direction for sourcing and use of IT resources;

h. Ensuring proper balance of IT investments for sustaining Bank's growth;

i. Assessing the exposure towards IT risks and its controls and evaluating effectiveness of management's monitoring of IT risks;

j. Assessing Senior Management's performance in implementing IT strategies;

k. Any other terms of reference as may be included from time to time by the Board or in compliance with RBI Guidelines.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
S. Mahalingam	05	05
Dr. N. Kamakodi	05	04
T.K. Ramkumar (upto 27.04.2017)	01	01
C.R. Muralidharan	05	04
Prof. V. Kamakoti	05	05
Smt. Abarna Bhaskar	05	04
M. Narayanan	05	04
Subramaniam Narayanan (since 07.11.2017)	03	02
Meetings held on: 27.04.2017, 20.06.2017, 07.11.2017, 20.12.2017 and 12.02.2018		

XI. Corporate Social Responsibility Committee of the Board

In accordance with the provision of Section 135 of the Companies Act, 2013 r/w the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Board has constituted a Corporate Social Responsibility Committee consisting of majority of Independent Directors.

The Committee approves the CSR activities of the Bank as recommended by CUB Foundation. The activities as approved by the Committee are placed before the Board for its information.

a. To formulate and recommend to the Board, a CSR Policy, which shall indicate the activities to be undertaken by the Bank as specified in Schedule VII of the Companies Act, 2013

b. To decide on the outlay of funds for a period, based on the nature of project and adjusted Net Income (NI) for last 3 years (ie 2% as per the Act) and fund the activities specified in clause (a)

c. To monitor and review the CSR Policy of the Bank from time to time

d. To institute a transparent monitoring mechanism for implementation of CSR projects or programmes or activities undertaken by the Bank and

e. To perform any other function or duty as stipulated by the Ministry of Corporate Affairs, Reserve Bank of India, SEBI, Stock Exchanges and other regulatory authority or under any applicable laws, as may be prescribed from time to time.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
Dr. N. Kamakodi	05	05
T.K. Ramkumar (upto 27.04.2017)	01	01
Prof. V. Kamakoti	05	05
R. Mohan	05	05
S. Bernard	05	05
Smt. Abarna Bhaskar (since 09.08.2017)	03	03
Meetings held on: 27.04.2017, 20.06.2017, 09.08.2017, 18.09.2017 and 08.11.2017		

XII. Premises Committee of the Board

The Premises Committee is constituted to decide on the purchase of new premises / vacant building / flats for accommodation of branch and staff members, construction / renovation of premises etc.

Composition and meeting details:

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
Dr. N. Kamakodi	Nil	
M. Narayanan		
R. Mohan		
S. Bernard		

XIII. Committee of the Board for Bonus Issue

During the year a special committee was constituted for the purpose of Issue of Bonus shares to the shareholders of the Bank.

Composition and meeting details :

Name of the Member Sarvashri	No. of Meetings held during the tenure	Attendance
Dr. N. Kamakodi	01	01
R. Mohan	01	01
S. Bernard	01	01
Meetings held on: 17.07.2017		

XIV. Meeting of Independent Directors

The Independent Directors of the Bank met on 7th February, 2018 and 24th March, 2018, to discuss and review the following for the FY 2017-18 :

a. the performance of Non-Independent Directors and the Board as a whole;

b. the performance of the Chairman of the Bank taking into account the views of Executive and Non-Executive Directors, and;

c. the quality, quantity and timeliness of flow of information between the Bank management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors were present at the meetings and expressed their satisfaction after due review of the above aspects.

4. DIRECTORS REMUNERATION FOR FY 2017-18

The Bank remunerates the Chairman and the Managing Director & CEO in accordance with the terms and conditions as approved by Reserve Bank of India and the shareholders. During the year under review, all Non-Executive Directors were paid Profit Linked commission for FY 2016-17 in addition to sitting fees for attending Board and Committee meetings. The details of remuneration paid to Directors are furnished below:

(in ₹)

Name of Director (Sarvashri)	Salary	Variable pay	Perquisites	Sitting Fees	Profit linked commission	Total Remuneration
EXECUTIVE DIRECTOR						
Dr. N. Kamakodi	78,25,000	3,00,000	1,19,98,170	-	-	2,01,23,170
INDEPENDENT DIRECTORS						
S. Mahalingam	15,00,000	-	-	9,60,000	63,288	25,23,288
R. G. Chandramogan	-	-	-	-	2,30,137	2,30,137
T. K. Ramkumar	-	-	-	1,60,000	7,00,000	8,60,000
C. R. Muralidharan	-	-	-	7,60,000	7,00,000	14,60,000
S. R. Singharavelu	-	-	-	7,80,000	7,00,000	14,80,000
Prof. V. Kamakoti	-	-	-	9,00,000	7,00,000	16,00,000
Abarna Bhaskar	-	-	-	11,00,000	7,00,000	18,00,000
R. Mohan	-	-	-	10,20,000	7,00,000	17,20,000
S. Bernard	-	-	-	9,50,000	4,87,123	14,37,123
M. Narayanan	-	-	-	7,90,000	6,38,630	14,28,630
Subramaniam Narayanan	-	-	-	6,80,000	-	6,80,000
Dr. T. S. Sridhar	-	-	-	1,10,000	-	1,10,000
V. N. Shiva Shankar	-	-	-	1,00,000	-	1,00,000

Note 1 Shri. S. Mahalingam was appointed as the Part Time Independent Chairman of the Bank since 4th May, 2016 and accordingly his commission is calculated and paid for the period served as Independent Director till 3rd May, 2016.

Note 2 The Director's viz., Shri. R. G. Chandramogan retired during FY 2016-17 and Shri. T K Ramkumar, Shri. C. R. Muralidharan and Shri. S. R. Singharavelu retired during FY 2017-18.

Note 3 The Profit linked commission for FY 2016-17 as approved by the shareholders in its previous meeting held on 23rd August, 2017 was paid to Directors during the reporting year based on their tenure served during FY 2016-17.

5. REMUNERATION POLICY

Remuneration to Executive Director

There exists a Board approved Compensation Policy which deals with the remuneration and other corporate benefits to the Whole Time / Executive Director. The remuneration of MD&CEO is recommended by the Compensation and Remuneration committee to the Board of Directors for their approval. However, the remuneration or revision in remuneration is subject to the approval by the Reserve Bank of India in terms of the Banking Regulation Act, 1949. Such Compensation Policy is framed in accordance with the guidelines issued by the Reserve Bank of India.

Remuneration to Non-Executive Director

No remuneration is paid to Non-Executive Directors of the Bank except sitting fees for attending Board and Committee meetings to the tune of ₹ 50,000/- and ₹10,000/- for each such meeting respectively. Apart from above, upon recommendation by the Compensation and Remuneration Committee of the Board, they shall be eligible for profit-linked commission if any, approved by the shareholders pursuant to the Guidelines issued by the Reserve Bank of India and the Companies Act, 2013. As regards Shri. S. Mahalingam, Independent Part-Time Chairman of the Bank, his remuneration is determined by the RBI pursuant to the provisions of the Banking Regulation Act, 1949.

Remuneration to KMPs and Other employees

The employees and KMPs are remunerated pursuant to a separate memorandum of understanding entered into with the Officers Association, Staff Union and Executives.

6. GENERAL BODY MEETINGS

The particulars of Annual General Meetings held during the last three years and the Special Resolutions passed there at are as under :

Sl.No.	Date	Time	Venue	Special Resolutions considered there at
1.	23.08.2017	10:15 a.m.	"Raya Mahal", 45 - 46, Gandhi Adigal Salai, Kumbakonam - 612 001.	Resolution No. : 10 Issue of shares under Qualified Institutions Placement (QIP) route. Resolution No. : 11 Issue / Grant of Stock Option to employees of the Bank under 'CUB ESOS SCHEME 2017'
2.	22.08.2016	10:15 a.m.		Resolution No. : 9 Issue of shares under Qualified Institutions Placement (QIP) route. Resolution No. : 10 Issue of shares under Rights Issue with reservation for employees aggregating to 5% of the post issue capital.
3.	24.08.2015	10:25 a.m.		Resolution No. : 7 Issue of shares under Qualified Institutions Placement (QIP) route.

In terms of Regulation 44 of the SEBI Listing Regulations,2015 remote e-voting is being provided to all members to exercise their votes in respect of all shareholders' resolutions intended to be moved at the ensuing AGM of the Bank. The detailed procedure for such voting is prescribed under Notice of AGM forming part of Annual Report.

I. **Special Resolution Passed through EGM - NIL**

II. **Special Resolution passed through Postal Ballot & voting pattern - Nil**

III. **Whether any Special Resolution is proposed to be conducted through Postal Ballot : No**

IV. **Procedure for Postal Ballot : NA**

7. PERFORMANCE EVALUATION

In line with the provisions of the Companies Act, 2013 and Regulation 17 & 19 of SEBI Listing Regulations, 2015, the Bank during the year under review carried a formal evaluation process for assessing the performance of the Board, Board Committees, Chairman, Non-Independent and Independent Directors. The evaluation was conducted through a structured questionnaire covering various aspects of board governance, composition, competencies, guidance etc., as approved by the Nomination Committee. The Board carried out an annual evaluation of its own performance, all individual Directors including Independent Directors (excluding the Director being evaluated) and of its Committees.

The Independent Directors in their separate meeting reviewed the performance of Chairman, Non-Independent Directors and the timeliness of flow of information between Board & Management, in their separate meeting.

The overall performance of the Board, Board Committees and individual Directors was agreed to be satisfactory by all the Directors for FY 2017-18.

8. DISCLOSURES

Related Party Transactions

The Board of Directors of the Bank has formulated a policy on Related Party transactions pursuant to the provisions of the Companies Act, 2013 and listing regulations. There were no significant "Related Party Transactions" of any material, financial & commercial nature with the Bank by the Directors and their relatives that would have potential conflict with the interest of the Bank at large. A detailed policy on the Related Party Transaction is available at the Bank's website (weblink: **https://www.cityunionbank.com/downloads/documents/CUB_Related_Party_Transaction.pdf**)

Strictures and Penalties

The Bank has complied with all the requirements regarding capital market related matters and has not been imposed with any penalty or stricture by Stock Exchanges, RBI and SEBI / other Regulatory Authorities on any such matter during the year under report.

Whistle Blower / Vigil Mechanism

The Bank promotes ethical practices in all its business activities and has put in place a well defined whistle blower mechanism as per the requirements of RBI, the Companies Act, 2013 and the SEBI Listing Regulations, 2015 for Directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of Bank's Code of Conduct or Ethics Policy.

In this regard, the Bank affirms that no employee has been denied access to the Managing Director / Audit Committee of the Board under the Whistle Blower Mechanism of the Bank. Further, during the year under review no reference was received from any source under Whistle Blower Policy.

Other Disclosures

a. The Bank has also ensured the implementation of non-mandatory requirements viz:

- The Chairman's Office of the Bank is held by a Independent Part-Time Chairman at the Banks Administrative Office situated at Kumbakonam.
- The Bank is having separate post for Chairman and MD & CEO.

b. Unmodified Audit Opinion / Reporting : The Auditors have expressed an unmodified opinion on the financial statement of the Bank.

c. The Bank follows a very formal and structured process in the appointment of Directors after carrying out necessary due diligence as required under the Banking Regulation Act, 1949 and Reserve Bank of India directives as applicable from time to time and in accordance with the compliance requirement of the Listing Regulations. The Bank has been conducting familiarization programmes for Independent Directors. The said programmes aims to provide to familiarize the new / existing incumbents of the Bank, with the nature of the industry in which the Bank operates, strategic objectives of the Bank, Business Model of the Bank etc so as to help them contribute significantly during the deliberations in the Board / Committee meetings. As a part of familiarisation programme, during the year Independent Directors viz., Shri. S. Bernard and Shri. M. Narayanan attended a programme organized by Centre for Advanced Financial Research and Learning (CAFRAL) on the latest development in the Global & Domestic outlook, Roles & Responsibilities of Directors and functioning of various Committees of Boards, recent regulatory developments, changes in Accounting Standards, Risks in IT environment, Financial Markets and role of treasury etc. The complete details are available in the Bank's website under investors section (web link : **https://www.cityunionbank.com/downloads/Familiarization%20programme.pdf).**

d. The Bank has complied with the Corporate Governance requirements specified in Regulation 17 to 27 and Clauses (b) to (i) of Sub-Regulation (2) of Regulation 46 and para C,D,E and F of Schedule V of the Listing Regulations.

9. ADHERENCE TO CODE OF CORPORATE GOVERNANCE

The Bank has in place a comprehensive Code of Conduct applicable to all members of the Board and Senior Management of the Bank depending on their roles and responsibilities. The code gives guidance and support needed for ethical conduct of business and compliance of law. The copy of the code is available in the Bank's website (weblink: **https://www.cityunionbank.com/downloads/documents/CUB_Code_of_Conduct.pdf**) and the compliance of the same is affirmed by all Directors and Senior Management heads annually. A declaration to this effect signed by the Bank's MD & CEO of the Bank is published at the end of this report.

Further, the Bank has complied with all the applicable requirements as prescribed under the SEBI Listing Regulations, 2015. A certificate to this effect obtained from the Bank's Statutory Central Auditors M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai is furnished at the end of this report.

10. MEANS OF COMMUNICATION

Quarterly results

The Bank's quarterly results are disseminated to the Stock Exchanges within the prescribed time through NEAPS (National Electronic Application Processing System) to National Stock Exchange of India Ltd., and through BSE Corporate Compliance & Listing Centre to BSE Ltd., besides publication in "Dinamalar" / "Daily Thanthi" / "Dinamani", local Tamil newspapers and in "Business Line", a national English newspaper. The results are also displayed on the Bank's website (www.cityunionbank.com).

News releases and presentations to Institutional Investors / Analysts

Official news releases and presentations are submitted to stock exchanges. The detailed presentations are made to Institutional Investors and Financial Analysts on the Bank's unaudited quarterly and audited financial results. The presentations and conference call transcripts are also uploaded on the Bank's website.

Website

The Bank's website contains a separate section "Investors" wherein all shareholders information's and disclosures along with Annual Report for previous financial years are available.

11. GREEN INITIATIVE

The Bank has promoted and administered the "Green Initiative" proposed by the Ministry of Corporate Affairs and is effecting the electronic delivery of Notice of Annual General Meeting and Annual Report to the shareholders whose e-mail IDs are registered with the respective depository participants. The Companies Act, 2013 and Rules thereunder, Listing Regulations provides for circulation of Financial Statements electronically to its shareholders.

12. GENERAL SHAREHOLDER INFORMATION

Date, Time and Venue of AGM	01st September, 2018 10:31 a.m. Raya Mahal, 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001.
Financial Year	1st April, 2017 to 31st March, 2018
Book Closure	25th August, 2018 to 1st September, 2018 (Both days inclusive)
Dividend Payment Date	From 3rd September, 2018
Registrar & Share Transfer Agent	Karvy Computershare Private Ltd., Unit: CITY UNION BANK LIMITED Karvy Selenium Tower B, Plot No. 31 & 32, Financial Dist., Gachibowli, Nanakramguda, Serilingampally, Hyderabad - 500 032, Telangana State, India. Ph: 040 - 67161509, Fax: 040 - 23420814 Toll Free No : 1800 - 345 - 4001 E-mail: einward.ris@karvy.com
Bank's Address for Correspondence	CITY UNION BANK LIMITED CIN: L65110TN1904PLC001287 Shares Department, Administrative Office, 'NARAYANA', 24B, Gandhi Nagar, Kumbakonam - 612 001, Tamil Nadu, India Ph: 0435 - 2402322, Fax: 0435 - 2431746 E-mail: shares@cityunionbank.com Website: www.cityunionbank.com

Company Secretary & Compliance Officer	Shri. V. Ramesh
Statutory Auditors	M/s. Sundaram & Srinivasan, Chartered Accountants, Chennai
Listing on Stock Exchange	The shares of the Bank have been listed at: 1. BSE Ltd., Scrip Code - 532210 2. National Stock Exchange of India Ltd., Scrip Code - CUB The listing fees payable to the Stock Exchanges for the Financial Year 2018-19, have been paid.

Market Price Data : Low / High during each month of the Financial Year 1st April, 2017 to 31st March, 2018

Month	NSE		BSE	
	Low	High	Low	High
April, 2017	146.95	165.80	145.00	165.60
May, 2017	161.75	184.00	162.00	184.50
June, 2017	169.50	204.65	169.20	200.90
July, 2017	157.50	187.60	157.60	186.55
Aug, 2017	149.00	178.50	152.00	180.00
Sep, 2017	147.00	174.20	147.00	174.00
Oct, 2017	155.60	166.45	154.05	166.00
Nov, 2017	158.70	168.50	158.60	170.00
Dec, 2017	167.45	182.50	165.75	189.00
Jan, 2018	158.00	182.00	158.50	208.80
Feb, 2018	147.55	177.25	147.80	177.75
Mar, 2018	165.25	184.95	160.75	185.00

Distribution of Shareholding

(i) Share Distribution Schedule as on 31st March, 2018

Sl. No.	Category (No. of shares)	No. of Holders	% of Holders	No. of Shares	% to Share Capital
1.	1 - 5000	85767	92.38	52297022	7.87
2.	5001 - 10000	3244	3.49	22575822	3.40
3.	10001 - 20000	1847	1.99	25570047	3.85
4.	20001 - 30000	646	0.70	15944899	2.40
5.	30001 - 40000	287	0.31	9980667	1.50
6.	40001 - 50000	215	0.23	9530603	1.43
7.	50001 - 100000	421	0.45	29723707	4.47
8.	100001 & above	420	0.45	499106442	75.08
TOTAL		**92847**	**100.00**	**664729209**	**100.00**

(ii) Shareholding Pattern as on 31st March, 2018

Sl. No.	Category	No. of Holders (Folios)	% of Holders	No. of Shares	% to Shares
1.	BANKS	6	0.01	553425	0.08
2.	BODIES CORPORATES	967	1.04	44913911	6.76
3.	CLEARING MEMBERS	62	0.07	1346932	0.20
4.	DIRECTORS	11	0.01	2988487	0.45
5.	F.I.I.'s	2	0.00	1941298	0.29
6.	INDIAN FINANCIAL INSTITUTIONS	4	0.00	26424207	3.98
7.	MUTUAL FUNDS	26	0.03	107886227	16.23
8.	NON RESIDENT INDIANS	1248	1.34	2947418	0.44
9.	NON RESIDENT INDIAN NON REPATRIABLE	518	0.56	3187545	0.48
10.	RELATIVES OF DIRECTORS	13	0.01	17373986	2.61
11.	RESIDENT INDIVIDUALS	86330	92.98	219561769	33.03
12.	EMPLOYEES	2577	2.78	16321539	2.46
13.	TRUSTS	10	0.01	3047628	0.46
14.	FOREIGN PORTFOLIO INVESTORS	137	0.15	199998323	30.09
15.	NBFC	5	0.01	12145	0.00
16.	ALTERNATIVE INVESTMENT FUND	4	0.00	889158	0.13
17.	I E P F	1	0.00	1583197	0.24
18.	HUF	926	1.00	13752014	2.07
	TOTAL	**92847**	**100.00**	**664729209**	**100.00**

13.SHARE TRANSFER SYSTEM AND RELATED MATTERS

Shares Transfers

Karvy Computershare Pvt., Ltd., Hyderabad, the Registrar and Share Transfer Agents (RTA) of the Bank, monitors the share transfer process. The shares sent for physical transfers are duly processed and the shares are transferred in the names of transferees complying with the rules and regulations in force.

The Bank obtains from a Company Secretary in practice, a half yearly certificate of compliance with the share transfer formalities as required under Regulation 40(9) of the SEBI Listing Regulations, 2015 and files a copy of the certificate with the Stock Exchanges. In addition, a half yearly compliance certificate signed by the Compliance Officer of the Bank and Authorised Signatory of the Bank's RTA is being submitted to the Stock Exchanges certifying compliance with Regulation 7(2) of SEBI Listing Regulations, 2015.

Also, as required under Regulation 55A of the SEBI (Depositories and Participants) Regulations, 1996, a Reconciliation of Share Capital Audit is conducted on a quarterly basis by a Practicing Company Secretary and certificate issued in this regard are forwarded to the Stock Exchanges.

As regards shareholders grievance matters viz. share transfers, transmission, duplicate share

certificate etc., the RTA periodically submits a memorandum to the Bank containing the grievances redressed and pending / rejection report, which is approved by Executive level Committee formed for the purpose. Such Executive Level Committee reports the transfer of securities to the Board of Directors in their meeting. A quarterly report on summary of all investor grievances and informations as received from the Bank's RTA are placed before the Stakeholders Relationship Committee for information and noting, which includes complaints received through SEBI Complaints Redress System "SCORES", if any.

Composition and meeting details :

Name (Sarvashri)	Designation
R. Venkatasubramanian	CGM & COO
V. Ramesh	General Manager - CFO & CS
K. Jayaraman	Deputy General Manager & CRO
Meetings held on : 18.04.2017, 25.04.2017, 03.05.2017, 06.05.2017, 15.05.2017, 05.06.2017, 06.06.2017, 13.06.2017, 23.06.2017, 27.06.2017, 07.07.2017, 20.07.2017, 05.08.2017, 11.08.2017, 24.08.2017, 06.09.2017, 12.09.2017, 15.09.2017, 03.10.2017, 17.10.2017, 31.10.2017, 03.11.2017, 13.11.2017, 15.11.2017, 24.11.2017, 30.11.2017, 01.12.2017, 11.12.2017, 16.12.2017, 22.12.2017, 10.01.2018, 24.01.2018, 31.01.2018, 03.02.2018, 16.02.2018, 02.03.2018, 03.03.2018, 31.03.2018.	

Total No. of shares transferred in physical form during the year 1st April, 2017 to 31st March, 2018.

No. of Transfers : 62 No. of Shares : 1,53,321

Further, SEBI vide its Notification No. SEBI / LAD - NRO / GN / 2018 / 24 dated 8th June, 2018 has notified that, the transfer of shares by a member shall take effect only through demat mode with effect from 8th December, 2018.

Nomination Facility

Section 72 of the Companies Act, 2013, provides that every holder of a securities of a Company may, at any time nominate, in the prescribed manner, any person to whom his Securities shall vest in the event of his death. Where the Securities of a Company are held by more than one person jointly, the joint holders may together nominate any person to whom all the rights in the Securities shall vest in the event of death of all the joint holders.

In view of the above, Shareholders may avail of the Nomination Facility. The relevant Nomination Form is available on the website of Bank and the Shareholders may download the same or write to the Bank at its Registered Office or to Karvy, for the same. Please note that the Nomination shall be automatically rescinded on transfer / dematerialization of the shares.

Bank Mandate

SEBI vide its Circular no. SEBI / HO / MIRSD / DOP1 / CIR / P / 2018 / 73 dated 20th April, 2018 has constituted a Committee on "Strengthening the Guidelines and Raising Industry Standards for RTA, Issuer Companies and Bankers to an Issue with an objective to streamline and strengthen the procedure and processes with regard to handling & maintenance of records, transfer of securities and payment of dividend / interest / redemption of securities. In this regard our Bank has issued notice / letter to the shareholders who have not updated the PAN and Bank account details in order to process the corporate benefits through ECS facility. The Bank has already provided the Electronic Clearing Service 'ECS' facility to its shareholder(s) who have already registered personal Bank details with the Bank's RTA / DP for availing various corporate benefits viz., Dividend etc., and get the credit in their registered Bank account by way of NEFT / RTGS / Direct credit.

As per the Bank's records on 31st March, 2018, only 86.43% of the shareholder(s) have registered their ECS mandate. The shareholder(s), by availing this facility can mitigate the risk of Non / Late - Receipt of Dividend Warrants, loss, misplace, re-validation etc., and save their precious time involved in en-cashing the physical warrants.

Shares kept under Unclaimed Share Suspense Account

DISCLOSURE UNDER SCHEDULE V (F) OF SEBI LISTING REGULATIONS, 2015			
Sl.No.	**Particulars**	**No. of shareholders**	**No. of shares**
1.	Aggregate number of shareholders and the outstanding shares in the unclaimed suspense a/c as on 1st April, 2017	70	2,24,005
2.	No. of shareholders who approached the issuer for transfer of shares from the unclaimed suspense a/c during FY 2017-18	46	2,12,573
3.	No. of shareholders to whom shares were transferred from the unclaimed suspense a/c during FY 2017-18	38	1,99,515
4.	Aggregate no. of shareholders and the outstanding shares lying in the unclaimed suspense a/c at 31st March, 2018	32	46,890*

* During the year the Bank had issued Bonus shares to the existing shareholders in the ratio of 1:10 and accordingly the outstanding shares lying in Unclaimed Suspense Account as on the record date being 15th July, 2017 was 2,24,005 shares and hence as on 31st March, 2018 increased by 22,400 bonus equity shares (2,24,005*1/10). The voting rights on the shares outstanding in the suspense account as on 31st March, 2018, shall remain frozen till the rightful owner of such shares claims the shares.

Dematerialisation of shares

The paid up capital of the Bank as on 31st March, 2018 is ₹ 66,47,29,209 which is duly listed in the stock exchanges NSE and BSE. Out of this 63,66,54,604 shares (95.78%) are held in De-mat mode and 2,80,74,605 shares (4.22%) in physical form.

DECLARATION UNDER REGULATION 34(3) READ WITH SCHEDULE V OF SEBI LISTING REGULATIONS, 2015

I confirm that all the Directors and the Senior Management Personnel have affirmed compliance with the Code of Conduct of the Bank as applicable to them for the year ended 31st March, 2018.

Date: 20th April, 2018
Place: Chennai

Dr. N. Kamakodi
Managing Director & CEO

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

We, Dr. N.Kamakodi, Managing Director & CEO and V. Ramesh, Chief Financial Officer hereby certify that for the Financial Year ended 31st March, 2018, on the basis of the review of the financial statements and the Cash Flow Statement and to the best of our knowledge and belief,

1. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

2. These statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

3. There are, to the best of our knowledge and belief, no transactions entered into by the Bank for the FY ended 31st March, 2018 which is fraudulent, illegal or violative of the Bank's code of conduct.

4. We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of the internal control systems of the Bank pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee those deficiencies, of which we are aware, in the design or operation of the internal control systems and that we have taken the required steps to rectify these deficiencies.

5. We further certify that :

   (a) there have been no significant changes in internal control over financial reporting during the year.

   (b) there have been no significant changes in accounting policies during the year.

   (c) there have been no instances of significant fraud of which we have become aware and the involvement therein, of management or an employee having a significant role in the Bank's internal control system over financial reporting.

Place: Chennai
Date : 24th May, 2018

Dr. N. Kamakodi
Managing Director & CEO

V. Ramesh
Chief Financial Officer

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of CITY UNION BANK LIMITED

We have examined the compliance of conditions of Corporate Governance by City Union Bank Limited ("the Bank"), for the year ended on 31st March, 2018, as stipulated in Regulations 17 to 27 and Clauses (b) to (i) of Sub Regulation (2) of Regulation 46, paras C, D, E and F of Schedule V of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (collectively referred to as SEBI Listing Regulations, 2015).

The compliance of conditions of Corporate Governance is the responsibility of the Bank's Management. Our examination was carried out in accordance with the guidance note on certification of Corporate Governance issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations, 2015.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For **M/s. Sundaram & Srinivasan**
Chartered Accountants
(Firm No. 004207S)

P. Meenakshi Sundaram
Partner
M.No. : 217914

Place: Chennai
Date : 24th May, 2018

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Scenario:

Global

During the FY 2017-18 the Global economic scenario witnessed improvements in economic growth across emerging and developed markets besides wide support from the US, Europe and Asian economy. Economic activity in major market economies continued to show improvement.

World's largest economy, the US entered ninth straight year of growth during 2017 (2.3% compared to 1.6% in 2016). The IMF as per World Economic Outlook - April 2018, cited expectations on annual growth in global GDP to have expanded by 3.8% in 2017, which is a significant progress from 3.2% in 2016.

In US, tightening labour market improved wage gains and sales growth. Further, domestic consumption facilitated recovery of US economy during second half of the fiscal 2018. In Japan, while depressed wages & inflation resulted in sluggish domestic demand, the weakening Yen and strong exports supported by foreign consumption helped the country to achieve a robust growth during FY 2018. The Chinese economy accelerated in the fourth quarter (October to December) of 2017 at 6.18% aided by exports.

The outlook for advanced economies, notably for the Euro area is improved, but in many countries inflation remained weak. The commodity prices continued to strengthen and the increase was due to hike in crude oil and fuel prices. The price of crude oil touched at USD $ 64.94 per barrel as on 29th March, 2018 from USD $50.69, prevailing a year ago on 1st April, 2017. The price further increased to USD $ 72.83 per barrel on 22nd May, 2018 due to increase in demand from China when OPEC countries cut production.

Financial markets have been mainly driven by monetary policy expectations and geo-political developments. Equity markets performance varied across regions with modest gains in Asian economies. The stocks of major emerging markets faced sell offs on account of rising dollar and expectations of further rate hikes by the Fed. In the currency markets, the USD touched its highest level USD$ 68.46 as on 23rd May, 2018 since December 2017. The euro uplifted significantly against the dollar. Emerging Market Economy currencies have by and large depreciated against USD.

The price of gold and copper rose by 6% and 14% respectively during FY 2018. The base metal prices especially aluminum rose on account of US sanctions on Russia. Gold has witnessed selling pressure on a stronger dollar, but the metal gained during mid June 2018 on political uncertainty in the Euro area. While the price of oil started going up, the overall global economic performance showed signs of improvement in 2017-18.

Domestic

Indian economy during FY 2017-18 saw a moderate growth of 6.7%, a notch above the government's estimate of 6.6% but lower than 7.1% of 2016-17. One could see acceleration in the growth as the year progressed, with the Indian economy registering a growth rate of 7.7% for Q4 2018. Construction, manufacturing and agriculture sectors were the main contributors to growth in the fourth quarter. The GDP growth averaged 7.3% for the period from 2014-15 to 2017-18, the highest among the major economies and achieved through lower inflation, improved current account balance and reduction in fiscal deficit to GDP.

The year under review was marked by various structural reforms by the Government and after remaining in negative territory for a couple of years, export growth rebounded during 2016-17 and strengthened in 2017-18. The increasing trend of quarterly GDP numbers indicates that the structural reforms undertaken by the government have begun paying dividends.

During Q4 2017-18, the agricultural growth increased sharply on a quarterly basis. The estimates of agriculture and allied activities have been revised upwards supported by an all time high production of foodgrains and horticulture during the year. The Indian Meterological department reaffirmed normal south west monsoon indicating a positive trend for the agricultural sector. Food inflation moderated for fourth successive month, pulled

down by vegetables due to lower than the unusual seasonal increase in their prices, and pulses and sugar which continued to experience deflation. However, within the food group, inflation increased in respect of cereals, fruits etc.

India's exports grew in April 2018 after a marginal dip in the preceding month, supported mainly by non-oil exports, particularly engineering goods and chemicals. Import growth decelerated sequentially in April 2018, a significant decline in imports of gold as well as pearl and precious stones more than offset the impact of rising crude oil prices. The trade deficit expanded in March and April from its level a year ago. External financing remained comfortable in 2017-18.

The industrial growth strengthened reflecting robust performance in manufacturing sector for the three consecutive quarters Q2 - Q4 2018 showing greater capacity utilization. The growth in services sector witnessed a decline on account of lower growth in some constituents' viz., trade, hotels, transport & communication and financial services. However sales of tractors and two-wheelers are improving, suggesting better rural demand. The output of eight core industries accelerated in April 2018 on account of a sharp expansion in coal production, which reached a 42 month peak. Retail inflation measured by the year-on-year change in the CPI rose sharply to 4.6% in April, driven by a significant increase in inflation excluding food and fuel

While the net foreign direct investment in 2017-18 was broadly comparable with the previous year, the net foreign portfolio flows were stronger due to a sharp turnaround in inflows. India's foreign exchange reserves were at US$ 412 billion on 1st June, 2018.

The Second Bi-monthly policy statement by the Monetary Policy Committee (MPC) of RBI during 2018-19, increased the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points to 6.25% and consequently the reverse repo rate under the LAF stands adjusted to 6.0% and the marginal standing facility (MSF) Rate and the Bank rate to 6.5%. The MPC expressed that the economic activity of the country has shown revival signs in recent quarter. The investment activity in particular is recovering well with the advent of Insolvency Bankruptcy Code which is a state of the art legislation. The code has replaced for the first time "Debtors in possession" system with "Creditors in possession" and provides a resolution framework that will help corporates clean up their Balance Sheets and reduce debts, ultimately reducing the stress among the Banking Sector.

Industry Structure and Developments

Private Sector Banks fared well during FY 2018 when compared to Public Sector Banks, which have been reeling under asset-quality woes over the last couple of years. As per the data released by RBI, as of March-end 2018 Private Sector Banks (PvSBs) recorded robust annual average growth in deposit and credit to record 17.4% and 20.9% respectively and all Scheduled Commercial Banks (SCBs) clocked annual average deposit and credit growth of 6.8% and 9.5% respectively. In sharp contrast, Public Sector Banks (PSBs) recorded muted annual average deposit and credit growth of 3.1% and 4.7% respectively. Aggregate deposits recorded broad-based growth (year-on-year) across all population groups (rural/semi-urban/urban/metropolitan) after moderating for two quarters, Private Banks continued to maintain double-digit growth in deposits. The Private Sector Banks recorded highest credit growth both on sequential as well as on annual basis, where it remained low for Public Sector Banks. As per the report of the rating agency "Fitch", the losses by state-run Banks have almost entirely wiped out the $13 billion capital infusion by the Government and the situation is unlikely to improve in the current fiscal year.

Notable updates in Banking Industry

- Focus on financial inclusion
- Debit cards radically replaced credit cards as preferred payment mode post demonetization.
- Improved risk management practices to meet global standards.
- Technological innovations - the digital payments systems in India has evolved the most among 25 countries including UK, China and Japan with IMPS being the only system at level 5 in the Faster Payments Innovation Index.

- Wide usability of RTGS and NEFT.
- Banks looking for consolidation effects to derive greater synergy benefits, economies of scale, risk diversification etc., considering the impacts of intense competition in the Industry.
- Targets by UIDAI on Banks with Aadhar facility to enroll minimum number of Aadhar.
- Introduction of 'The Banking Regulation (Amendment) Bill, 2017', which will replace the Banking Regulation (Amendment) Ordinance, 2017, to allow the RBI to guide Banks for resolving the problems of stressed assets.
- Re-capitalization plan by Government of India is expected to push credit growth in the country to 15 per cent and as a result help the GDP grow by 7 per cent in FY19.

YOUR BANK's PERFORMANCE

City Union Bank achieved a moderate growth during the year. The biggest challenge faced by the Banking system was dealing with stressed assets, restructured debts and NPA accounts which resulted in credit growth remaining subdued during the year. Despite these challenges, the Bank was able to post a growth in its business by 13% with Deposit growing by 9% and Advances growing by 17%.

The Bank has made efficient use of technology to fulfill various banking needs of its customers. The Bank offers wide range of customer centric services in order to deepen the customer relationship and attain overall business growth. It is committed to the best practices in terms of product offerings, technology, service levels, risk management, audit and compliance. The Bank is committed to do so by ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance. The Bank understands and respects its fiduciary role and responsibility to all stakeholders and strives to meet their expectations. The cardinal principles of independence, accountability, responsibility, transparency, fair and timely disclosures serve as the basis of our approach to good corporate governance.

Financial Performance

The performance of the Bank during the financial year ended 31st March, 2018 remained healthy with a total income of ₹ 3,934.52 crore as compared to ₹ 3,657.73 crore during the previous year recording growth of 8% and the total net revenues (net interest income plus other income) increased by 17% to ₹ 1,962.40 crore from ₹ 1,682.71 crore in the previous financial year.

The Deposits of the Bank increased to ₹ 32,852.62 crore as on 31st March, 2018 compared to ₹ 30,115.74 crore as on 31st March, 2017. Total CASA improved by 13% from ₹ 7,038.95 crore last year to ₹ 7,956.67 crore in FY 2017-18. The proportion of current and savings deposits to total deposits was at 24% as on 31st March, 2018.

The Gross Advances of the Bank increased by ₹ 4,126.09 crore to ₹ 28,238.58 crore from ₹ 24,112.49 crore, posting a growth of 17%. The yield on advances declined to 11.46% from 12.10% during the financial year due to stiff competition among Banks.

The Net Interest Income grew by 19% supported by loan growth of 17% coupled with a net interest margin (NIM) of 4.42% for the year ended 31st March, 2018.

Other income earned for the financial year ended 31st March, 2018 stood at ₹ 532.10 crore as against ₹ 483.95 crore recording a growth of 10%.

The yield on 10 year benchmark moved from 6.69% to 7.41% on account of increased fiscal borrowings. Bond yield hardened gradually tracking continuing concerns over inflation, crude oil prices and fiscal slippages. Despite positive triggers provided by Government of India, overall negative sentiments weighed on markets. Sensing early signs of weakness, the Bank through timely sale of securities had booked profit of ₹ 93.83 crore as against ₹ 107.78 crore during the previous year.

During FY 2018, operating expenses increased by 10% from ₹ 688.97 crore in FY 2016-17 to ₹ 754.65 crore in FY 2017-18. The establishment expenses increased from ₹ 298.14 crore last year to ₹ 315.88 crore in FY 2017-18. During the year, the Bank opened 50 new branches and

installed 135 ATMs which resulted in higher infrastructure and staffing expenses. The other operating expenses increased from ₹ 390.84 crore to ₹ 438.77 crore which was due to normal increase in expenses like Rent, Lighting, Printing & Stationery, Telephones and Repairs & Maintenances etc. Cost to income ratio was at 38.46% for the year ended 31st March, 2018 as against 40.94% for the previous year.

Thus, the Bank has recorded a growth of 19% in Operating Profit from ₹ 993.74 crore in FY 2016-17 to ₹ 1207.75 crore in FY 2017-18. The operating profit to NII constitutes 84.44%.

The total provisions for FY 18 were increased by 25% from ₹ 490.97 crore to ₹ 615.75 crore. Tax provision increased to ₹ 198 crore as against ₹ 190.00 crore last year.

The provision for Bad & Doubtful debts increased from ₹ 251.50 crore last year to ₹ 303.00 crore in FY 2017-18. After making the said provision the Net Profit of the Bank grew by 18% from ₹ 502.77 crore last year to ₹ 592.00 crore in FY 2017-18.

Return on Assets of the Bank for FY 2017-18 stands improved from 1.50% to 1.60% when compared to last year. Return on equity stands at 15.37% vs 15.26% last year. The basic earnings per share increased from ₹ 8.39 to ₹ 9.18 per equity share and the diluted earnings per share stood at ₹ 9.15 vs ₹ 8.24 last year. The book value per share of the Bank increased from ₹ 59.40 to ₹ 62.63 as on 31st March, 2018, as compared with previous year.

Operational Performance

The incremental growth in the Bank's operational performance, as well as certain key percentages, can be enumerated as per the following parameters :

Particulars	Current Year	Previous Year
Deposits (₹ in cr)	2,736.88	2,957.61
Gross advances (₹ in cr)	4,126.09	2,859.39
Net Interest Income (₹ in cr)	231.53	217.73
Staff productivity (₹ in cr)	11.48	11.53
Cost of Deposits (%)	6.29%	6.82%
Yield on Advances (%)	11.46%	12.10%
Total Yield on Investments (%)	8.19%	8.68%
Number of Branches (in Nos.)	50	25

Segmentwise Performance

Deposits of the Bank comprise of the following :

Sl. No.	Particulars	Amount (₹ in crore)	Percentage to total (%)
1.	Demand Deposit	2786.17	8.48
2.	Savings Deposit	5170.50	15.74
3.	Term Deposit	24895.95	75.78
	Total	**32852.62**	**100%**

The total investments increased by 13% from ₹ 7,081.82 crore as at 31st March, 2017 to ₹ 8,014.98 crore as at 31st March, 2018 primarily due to an increase in investments in Govt. Securities. Investments of the Bank consist of the following :

Sl. No.	Particulars	Amount (₹ in crore)	Percentage to total (%)
1.	Government Securities	7638.02	95.30
2.	Other Approved Securities	Nil	Nil
3.	Shares, Debentures / Bonds and Mutual funds	35.69	0.45
4.	Security Receipts	341.27	4.25
Total		**8014.98**	**100.00**

Performance of various Business Segments

The Bank operates under four business segments namely Corporate / Wholesale Banking, Retail Banking, Treasury and Other Banking Operations. The segment wise contributions are as under :

Segments	Gross Profit (₹ in crore)	Percentage to total (%)
Treasury	399.20	33.05
Corporate Banking	263.31	21.80
Retail Banking	535.39	44.33
Other Banking Operations	9.85	0.82
Total	**1207.75**	**100.00**

ASSET QUALITY AND LOAN COMPOSITION

A. Asset Quality

In fiscal 2018, the gross additions of NPAs to total closing advances were ₹ 574.87 crore (2.04%) as compared to ₹ 479.61 crore (1.99%) in FY 2017. In view of this, the Gross NPA as at 31st March, 2018 increased to ₹ 856.55 crore (3.03%) as against ₹ 681.98 crore (2.83%) in FY 2017.

There has been a recovery / upgradation of NPAs to the tune of ₹ 205.54 crore in the fiscal 2018 as against ₹ 146.15 crore in FY 2017. The Provision coverage was 64% as at 31st March, 2018.

Divergence in Asset Classification and Provisioning for NPAs :

In terms of RBI circular DBR.BP.BC.No.63 / 21.04.018/2016-17 dated 18th April, 2017, Banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts wherever either a) the additional provisioning requirements assessed by RBI exceed 15% of the published net profits after tax for the reference period or, b) the additional Gross NPAs identified by RBI exceed 15% of the published incremental Gross NPAs for the reference period, or both.

RBI inspection for the period up to 31st March, 2017 is over and we do not have the requirement of reporting divergence as per RBI / SEBI guidelines for the said period. Stock exchanges have been duly informed of the same by the Bank's filing dated the 31st January, 2018.

B. Loan Composition

The Bank closely monitors the performance of various Industrial sectors periodically to assess the sector-wise potential risks for facilitating informed decision making w.r.t. advances. The Bank improved its Gross Advances to ₹ 28,238.58 crore as at 31st March, 2018 of which ₹ 6,798.44 crore were directed to Major Industries and ₹ 21,440.14 crore to other sectors. A comparative position of Bank's Industrial & Sectoral deployment portfolio is set out hereunder:

Industrial Deployment

Industry	Amount (₹ in cr.)		% to Total Advances	
	31st March 2018	31st March 2017	31st March 2018	31st March 2017
Major Industries	**6798.44**	**5807.92**	**24%**	**24%**
Textile	3004.25	2473.91	11%	10%
Metal	1411.41	1254.82	5%	5%
Paper & Paper Products	650.96	615.05	2%	3%
Food Processing	126.05	88.62	-	-
Chemicals	359.86	340.48	1%	1%
Rubber & Plastics	186.66	161.88	1%	1%
Engineering	519.52	458.92	2%	2%
Beverage & Tobacco	39.33	10.98	-	-
Automobiles	212.17	189.01	1%	1%
Other Industries	288.23	214.25	1%	1%
All other Advances (Agri.,Trade Service, Gold Loan etc.)	**21440.14**	**18304.58**	**76%**	**76%**
TOTAL	**28238.58**	**24112.49**	**100%**	**100%**

Sectoral Deployment

Sector	Amount (₹ in cr.)		% to Total Advances	
	31st March 2018	31st March 2017	31st March 2018	31st March 2017
Agriculture	4083.41	3707.09	14%	15%
MSME	9580.75	8171.85	34%	34%
Large Industries	1888.83	1760.42	7%	7%
Retail Traders	1046.66	1021.07	4%	4%
Wholesale Traders	4085.28	3264.39	14%	14%
Commercial Real Estate	1399.21	1239.90	5%	5%
JL Non Agriculture	371.66	286.27	1%	1%
Housing Loans	1857.82	1665.21	7%	7%
Other Personal Loan	1041.63	719.55	4%	3%

Sectoral Deployment (Contd.)

Sector	Amount (₹ in cr.)		% to Total Advances	
	31st March 2018	31st March 2017	31st March 2018	31st March 2017
Loans Collateralised by deposits	497.68	427.39	2%	2%
Infrastructure	172.90	185.87	1%	1%
NBFC	273.01	225.89	1%	1%
Others	1939.74	1437.60	7%	6%
TOTAL	**28238.58**	**24112.49**	**100%**	**100%**

PRIORITY SECTOR LENDING

As per the guidelines of RBI, the Banks are required to lend 40% of their Adjusted Net Bank Credit (ANBC) to priority sectors. The Bank has achieved 58.59% of Adjusted Net Bank Credit (ANBC) against the regulatory prescription of 40% stated above. The Priority Sector Advances as at 31st March, 2018 stood at ₹ 12,463.76 crore as compared to previous year amount of ₹ 11,813.52 crore. Further, out of the overall target of 40%, banks are required to lend a minimum 18% of their ANBC to Agriculture sector. In respect of this, the Bank had achieved 22.55% of ANBC. The total agricultural advances stood at ₹ 4,797.62 crore as at 31st March, 2018 as against ₹ 3,707.09 crore as on 31st March, 2017. As prescribed by RBI guidelines, the Bank had achieved all its priority sector lending target for FY 2018 computed on quarterly average basis.

RISK MANAGEMENT

The main objective of the risk management of the Bank is to balance between risk and return. The Bank operates within the Board approved risk appetite statement which was circulated to each of the departments. Integral to Bank business, the Bank takes on various types of risk, the most important of which are credit risk, market risk and operational risk. The identification, measurement, monitoring and management of risk remain a key focus area for the Bank. Sound risk management and balancing risk-reward trade-offs are critical to the Bank's success. Business and revenue growth are therefore to be weighed in context of the risks implicit in the Bank's business strategy.

The Bank has in place, a sound Risk Management Architecture established by the active involvement and supervision of Board of Directors. The Board of the Bank has constituted a Risk Management Committee which lays down the parameters establishing the frame work for Risk Management. Under the Board level Committee, the Risk Management Committee of Executives functions to ensure the policy guidelines approved by the Board are implemented and adhered to. It guides the policies, procedures and systems for managing and controlling various risks. The Committee reviews the risk level and direction, portfolio composition, risk appetite for all risks and also the stress tests for each risk.

The Bank has a Risk Management team headed by the Chief Risk Officer who reports to MD & CEO / Board of the Bank. The overall risks faced by the Bank and the risk appetites are evaluated by the team which develops policies and procedures, verifying the models that are used for pricing products, identifying new risks etc. Risk Management practices have been aligned with the best industry practices and are adaptable to a dynamic operating environment and market conditions.

The Bank is BASEL II compliant since 31st March, 2009. The Bank has implemented the BASEL III Capital Regulations from 1st April, 2013, by computing the Capital and Risk weighted Assets as per RBI guidelines dated 2nd May, 2012. The Bank presently adopts Standardized Approach for credit risk, Standardized Duration Approach for market risk and Basic Indicator Approach for operational risk. Necessary initiatives have been taken for moving over to advanced approaches under BASEL III as per the timelines indicated by RBI. The Risk Management Department of the Bank effectively

functions to measure, monitor and control all risks paving way for effective Enterprise-wide Risk Management. The Bank has implemented "Internal Capital Adequacy Assessment Process" (ICAAP) in line with the Basel III requirement commensurate with the Bank's size, level of complexity, risk profile and scope of operations.

The overall risk of the Bank is being managed through three committees viz.

i) Credit Risk Management Committee (CRMC)

ii) Asset and Liabilities Management Committee (ALCO)

iii) Operational Risk Management Committee (ORMC)

The Bank has put in place the following policies to manage various types of Risks apart from the overall Integrated Risk Management Policy to measure, monitor and control all the enterprise-wide risks and with the objective of integrating all the risks of the Bank.

1. Credit Risk Management Policy
2. Asset and Liability Management Policy
3. Operational Risk Management Policy
4. Stress Testing Policy
5. Pillar 3 Disclosure Policy
6. Business Continuity Plan Policy
7. Inspection and Audit Policy
8. Internal Capital Adequacy Assessment Process (ICAAP) Policy
9. Credit Risk Mitigation and Collateral Management Policy
10. Integrated Risk Management Policy
11. Loan Policy (Including Recovery Policy)
12. Integrated Treasury Policy
13. Policy on Unhedged Foreign currency exposures of corporate including SME's
14. Market Risk Management Policy
15. New Product Assessment Policy

On the advice of the said three Committees and based on the said policy norms, the Bank is able to identify, measure, monitor, analyze, control and mitigate the risks at every stage, prescribe and monitor prudential limits and manage them to face the changing risk environment. The disclosures on Quarterly / Half Yearly / Annual Basis as per the Disclosure Policy are reported/incorporated in the Bank's website / Annual Report. Stress tests are conducted on a periodical basis to gauge the level of risk in the assumed crisis situation and remedial / preventive steps have been taken to mitigate risks in all areas.

INTERNAL CONTROL SYSTEMS

The Bank's Inspection function undertakes internal audit to assess the business and control risk of all branches and has formulated a risk based internal audit plan as recommended by the RBI. The inspection function provides an independent assurance to its Board of Directors and Senior Management as to the effectiveness of its internal controls, risk management systems, governance systems & processes on an on-going basis to ensure that the audited units comply with both internal and regulatory guidelines.

In line with the RBI's guideline on Audit, the Bank has adopted a Risk-Based approach of Internal Audit (RBIA). The primary focus of the audit is on key risk areas, which are of substantial importance to the Bank.

As reported in detail under Director's Report , there were certain improper transactions in the Bank's ATM Switch. Also during the last quarter of FY 2018, fraudulent remittances took place through our SWIFT system, outside the purview of Bank's Core Banking Solution "CBS". In this connection, post the occurrence of these events, in order to strengthen the internal controls, efforts have been taken by the Bank in SWITCH and SWIFT systems through implementation of additional security measures like installing software in a new hardened server, installing new client machines with advanced software applications, strengthening of Firewalls etc. More initiatives are being undertaken to deter the occurrence of such events in future.

Further, the Bank also subjects its operations to Concurrent Audit by audit firms to complement its internal audit function. The concurrent audit covers core activities such as credit portfolio, general computer controls, fraud risk management, financial markets, operations, policies and procedures. For each component, various check list / risk control matrix are prepared to identify those which have a material bearing. These controls are then tested for their operating effectiveness. The Bank takes corrective steps to minimize the risk, should any of them arise. The Senior Management of the

Bank is involved in taking corrective measures. The results of the audit reports are circulated to the relevant management teams and the Audit Committee of the Board for their information, guidance and monitoring.

HUMAN RESOURCE / INDUSTRIAL RELATIONS

The Bank believes the organizational success largely depends on the quality of employees. The Bank recruits and trains the young brains alongwith existing talent to carry forward the Bank's glory and success as in the past. Human Resource development and Industrial atmosphere have a very big role to play in an organization's growth and the Bank has always maintained cordial relationship across all levels. It needs to be mentioned here that the Bank has not even lost a single man day due to industrial unrest, for it has maintained healthy work environment since inception. As part of HR strategy, the Bank offers various monetary and non-monetary benefits to employees based on their performance and ensures that every employee feels proud to be a part of the Bank where each one strives to deliver the best - to be best of their ability, to the best of their skills. The Bank creates and develops future leaders by offering constant training on products, technical knowledge, marketing and management skills and soft skills etc.

The management of the Bank vide a seperate MOU entered with City Union Bank Officers Association and Staff Union during the year 2016, agreed on the implementation of Performance Linked Pay 'PLP' besides other employee welfare measures. PLP is a monetary incentive tool implemented in the Bank w.e.f. July, 2017, to encourage the employees performance with growth focus aiming at organizational goals. The Bank ensures that each and every employee is apprised of his / her goals so that everyone could get his / her monetary incentives apart from heir fixed pay.

Regular communication channels, email newsletters, other communication blogs etc., are used to keep the communication dynamic and timely. All HR strategies are aligned to have a positive impact on the overall development of employee. The Bank offers ESOPs to employees to create a sense of ownership among employees and in this regard shareholders, in the previous AGM held on 23rd August, 2017, have approved the grant of additional 3 crore stock options.

The strength of the work force as on 31st March, 2018 was 5,319 consisting of a fairly young workforce with an average age of 32.31 years.

OUTLOOK

The Global Banking Sector is considerably healthier now than it was 10 years ago, at the start of the global financial crisis. The largest Banks in the world have significantly improved their capital position in the years since the crisis. In recent years, the ability of Banks to maximize financial performance through growth and optimization has been hampered by regulatory change programs and compliance demands. However, the Global Banking Outlook reveals a remarkable shift in terms of evolving cyber risks. Cyber security has become the top priority for Banks in the coming year posing an array of new problems viz., finding right talents with cyber skills, integration of cyber experts into the organizations, System Audits etc.

As per RBI, India's Banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Risk management studies suggest that Indian Banks are generally resilient and have withstood the global downturn well. On the technological front, the digital payments system in India has evolved as the most Fastest Payments mode as per Faster Payments Innovation Index (FPII). However, during the FY 2018, the sector has witnessed major cyber security attacks and frauds hampering the growth of the sector and investor confidence.

Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's Banking sector is also poised for robust growth as the rapidly growing business enterprises would turn to Banks for their credit needs. The customer centric Banking through safe and secure technology has become the epicentre of Banking business. In the given scenario, your Bank believes that with the sound risk management and capital adequacy ratio it could achieve a higher share of business and profit, ably supported by sophisticated technology and motivated staff force.

INDEPENDENT AUDITORS' REPORT

To the Members of

CITY UNION BANK LIMITED

Report on the Financial Statements

1. We have audited the accompanying financial statements of City Union Bank Limited (the 'Bank'), which comprise the Balance Sheet as at 31st March, 2018, the Profit & Loss Account, and the Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the return of 14 branches and office audited by us and 590 branches & offices audited by branch statutory auditors. The branch audited by us and those audited by other auditors have been selected by the Bank in accordance with guidelines issued to the Bank by the Reserve Bank of India.

Management's Responsibility for the Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

5. We conducted our audit of the Bank in accordance with Standards on Auditing (the "Standards") issued by the Institute of Chartered Accountants of India, as specified under Section 143 (10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 in the manner so required for the banking companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Bank as at 31st March, 2018, and its profit and its cash flows for the year then ended.

Report on other legal and regulatory requirements

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act, 2013 read with the Rule 7 of the Companies (Accounts) Rules, 2014.

10. As required by Sub Section (3) of Section 30 of the Banking Regulation Act,1949 and the appointment letter dated 28th August, 2017, we report that;

    (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

    (b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

    (c) The returns received from the offices and branches of the Bank have been found adequate for the purpose of our audit.

11. Further, as required by Section 143(3) of the Companies Act, 2013, we report that;

    i. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

    ii. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;

    iii. The reports on the accounts of the offices and branches audited by other branch auditors of the Bank under Section 143(8) of the Companies Act, 2013 have been sent to us and have been properly dealt with by us in preparing this report;

    iv. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns received from the branches;

    v. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the Accounting Policies prescribed by Reserve Bank of India;

    vi. On the basis of the written representations received from the directors as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 from being appointed as a director in terms of Section 164 (2) of the Act;

    vii. with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report; and

    viii. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;

a) The Bank disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 12.1 to the financial statements;

b) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long - term contracts including derivative contracts - Refer Note 10.1 to the financial statements; and

c) There has been no delay in transferring the funds to the Investor Education and Protection Fund Account by the Bank.

d) The disclosures required on holdings as well as dealing in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 as envisaged in notification G.S.R. 308(E) dated 30th March, 2017 issued by the Ministry of Corporate Affairs is not applicable to the Bank.

For **Sundaram & Srinivasan**
Chartered Accountants
(Firm No.004207S)

P. Menakshi Sundaram
Partner
M. No.217914

Place: Chennai
Date : 24th May, 2018

Annexure A

To the Independent Auditors' Report of even date on the Financial Statements of City Union Bank Limited [Refer Para 11(vii)]

Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

To the Members of

CITY UNION BANK LIMITED

1. We have audited the Internal Financial Controls over Financial Reporting ("ICFR") of City Union Bank Limited (the "Bank") as of 31st March, 2018 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

2. The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on Internal Control over Financial Reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI''). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its Business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting and the Standards on Auditing as specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an Audit of Internal Financial Controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Banks' Internal Financial Controls System over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

6. A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes

those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls over financial Reporting

7. Because of inherent limitations of internal financial controls over financial reporting, including the possibility of collusion improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Bank has, in all material respects, an adequate internal financial controls systems over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2018, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Sundaram & Srinivasan**
Chartered Accountants
(Firm No.004207S)

P. Menakshi Sundaram
Partner
M. No.217914

Place: Chennai
Date : 24th May, 2018

BALANCE SHEET AS ON 31st MARCH, 2018

(₹ in thousands)

	Schedule No.	AS ON 31.03.2018	AS ON 31.03.2017
CAPITAL AND LIABILITIES			
Share Capital	1	66,47,29	60,10,65
Reserves and Surplus	2	4096,76,24	3510,09,10
Deposits	3	32852,62,18	30115,73,84
Borrowings	4	1735,88,05	530,99,73
Other Liabilities & Provisions	5	1185,50,77	1053,84,28
Total		39937,24,53	35270,77,60
ASSETS			
Cash and Balances with Reserve Bank of India	6	1861,79,77	1484,18,52
Balances with Banks & Money at Call and Short Notice	7	774,64,60	1394,78,99
Investments	8	7879,10,61	7031,45,04
Advances	9	27852,78,58	23832,69,94
Fixed Assets	10	223,12,66	215,08,00
Other Assets	11	1345,78,31	1312,57,11
Total		39937,24,53	35270,77,60
Contingent Liabilities	12	5715,99,82	7176,34,90
Bills for Collection		319,08,72	256,96,81

V. RAMESH
GM - CFO & CS

R. VENKATASUBRAMANIAN
Chief General Manager

S. RAMESH
Deputy General Manager

Dr. N. KAMAKODI
MD & CEO

Prof. V. KAMAKOTI
R. MOHAN
ABARNA BHASKAR
M. NARAYANAN
Directors

S. MAHALINGAM
Chairman

S. BERNARD
V.N. SHIVASHANKAR
T.S. SRIDHAR
Directors

For **Sundaram & Srinivasan**
Chartered Accountants
(Firm No.004207S)

P. Menakshi Sundaram
Partner
M. No.217914

Chennai
24th May, 2018

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2018

(₹ in thousands)

	Schedule No.	YEAR ENDED 31.03.2018	YEAR ENDED 31.03.2017
I INCOME			
Interest Earned	13	3402,42,16	3173,78,73
Other Income	14	532,10,04	483,94,67
Total		3934,52,20	3657,73,40
II EXPENDITURE			
Interest Expended	15	1972,12,12	1975,02,06
Operating Expenses	16	754,64,87	688,97,49
Provisions and Contingencies		615,75,42	490,96,97
Total		3342,52,41	3154,96,52
III PROFIT / LOSS			
Net Profit		591,99,79	502,76,88
Profit brought forward		32,68,40	7,44,59
Total		624,68,19	510,21,47
IV APPROPRIATIONS			
Statutory Reserves		150,00,00	130,00,00
Capital Reserve		29,33,20	27,53,07
General Reserve		334,00,00	275,00,00
Special Reserve under IT Act, 1961		50,00,00	45,00,00
Dividend paid		19,83,52	Nil
Dividend Tax paid		4,03,81	Nil
Balance carried over to Balance Sheet		3747,66	32,68,40
Total		624,68,19	510,21,47

V. RAMESH
GM - CFO & CS

R. VENKATASUBRAMANIAN
Chief General Manager

S. RAMESH
Deputy General Manager

Dr. N. KAMAKODI
MD & CEO

Prof. V. KAMAKOTI

R. MOHAN

ABARNA BHASKAR

M. NARAYANAN

S. MAHALINGAM
Chairman

S. BERNARD

V.N. SHIVASHANKAR

T.S. SRIDHAR

Directors

For **Sundaram & Srinivasan**
Chartered Accountants
(Firm No.004207S)

P. Menakshi Sundaram
Partner
M. No.217914

Chennai
24th May, 2018

SCHEDULES FORMING PART OF THE ACCOUNTS

(₹ in thousands)

		AS ON 31.03.2018		AS ON 31.03.2017
SCHEDULE - 1 CAPITAL				
Authorised Capital		100,00,00		100,00,00
(100,00,00,000 Equity Shares of ₹ 1/- each)				
Issued Capital		66,47,29		60,10,65
(66,47,29,209 / 60,10,64,881 equity shares of ₹ 1/- each)				
Subscribed and Paid-up Capital	66,47,29		60,10,65	
(66,47,29,209 / 60,10,64,881 equity shares of ₹ 1/- each)				
Less: Calls unpaid	Nil		Nil	
Add: Forfeited shares	Nil	66,47,29	Nil	60,10,65
Total		66,47,29		60,10,65
SCHEDULE - 2 RESERVES AND SURPLUS				
I. Statutory Reserves				
Opening Balance	936,00,00		806,00,00	
Additions during the year	150,00,00		130,00,00	
Deductions during the year	Nil	1086,00,00	Nil	936,00,00
II. Capital Reserves				
Opening Balance	90,19,43		62,66,36	
Additions during the year	29,33,20		27,53,07	
Deductions during the year	Nil	119,52,63	Nil	90,19,43
III. Share Premium				
Opening Balance	820,33,28		805,18,72	
Additions during the year	24,55,74		15,14,56	
Deductions during the year	6,01,06	838,87,96	Nil	820,33,28
IV. Revenue and Other Reserves				
i) General Reserve				
Opening Balance	1392,50,00		1117,50,00	
Additions during the year	334,00,00		275,00,00	
Deductions during the year	Nil	1726,50,00	Nil	1392,50,00
ii) Investment Reserve Account				
Opening Balance	2,37,99		2,37,99	
Additions during the year	Nil		Nil	
Deductions during the year	Nil	237,99	Nil	2,37,99

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

		AS ON 31.03.2018		AS ON 31.03.2017
iii) Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961				
Opening Balance	236,00,00		191,00,00	
Additions during the year	50,00,00		45,00,00	
Deductions during the year	Nil	286,00,00	Nil	236,00,00
V. Balance in Profit and Loss Account		37,47,66		32,68,40
Total		4096,76,24		3510,09,10
SCHEDULE - 3 DEPOSITS				
A I. Demand Deposits				
i) From Banks	42,27		41,46	
ii) From Others	2785,75,10	2786,17,37	2408,79,34	2409,20,80
II. Savings Bank Deposits		5170,50,12		4629,73,87
III. Term Deposits				
i) From Banks	44,91,29		148,60,05	
ii) From Others	24851,03,40	24895,94,69	22928,19,12	23076,79,17
Total (I, II & III)		32852,62,18		30115,73,84
B i) Deposits of Branches in India		32852,62,18		30115,73,84
ii) Deposits of Branches outside India		Nil		Nil
Total		32852,62,18		30115,73,84
SCHEDULE - 4 BORROWINGS				
I. Borrowings in India				
i) Reserve Bank of India		1054,00,00		475,00,00
ii) Other Banks		Nil		9,75,82
iii) Other Institutions and Agencies		681,88,05		36,23,91
iv) Subordinated Debt		Nil		10,00,00
II. Borrowings from outside India		Nil		Nil
Total (I & II)		1735,88,05		530,99,73
III. Secured Borrowings included in (I & II) above		123,69,88		Nil

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

	AS ON 31.03.2018	AS ON 31.03.2017
SCHEDULE - 5 OTHER LIABILITIES & PROVISIONS		
I. Bills Payable	297,68,98	231,34,43
II. Inter-Office Adjustments (Net)	Nil	Nil
III. Interest Accrued	217,88,77	214,12,81
IV. Others (including Provisions)	669,93,02	608,37,04
Total	1185,50,77	1053,84,28
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in Hand (including Foreign Currency Notes)	362,76,96	284,84,02
II Balances with Reserve Bank of India		
i) In Current Accounts	1499,02,81	1199,34,50
ii) In Other Accounts	Nil	Nil
Total	1861,79,77	1484,18,52
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i) Balances with Banks		
a) In Current Accounts	71,92,90	**89,31,38**
b) In Other Deposit Accounts	Nil	**7,26,00**
	71,92,90	**96,57,38**
ii) Money at Call and Short notice		
a) With Banks	Nil	**Nil**
b) With Other Institutions	Nil	**Nil**
Total	71,92,90	**96,57,38**
II. Outside India		
i) In Current Accounts	2,08,58	**7,70,11**
ii) In Deposit Accounts	700,63,12	**1290,51,50**
iii) Money at call and short notice	Nil	**Nil**
Total	702,71,70	**1298,21,61**
Total (I & II)	774,64,60	**1394,78,99**

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

	AS ON 31.03.2018	AS ON 31.03.2017
SCHEDULE - 8 INVESTMENTS		
I. In India		
i) Government Securities	7634,38,10	6690,59,26
ii) Other Approved Securities	Nil	Nil
iii) Shares	10,21,29	15,66,81
iv) Debentures and Bonds	25,19,66	21,11,70
v) Subsidiaries / Joint Ventures	Nil	Nil
vi) Others	209,31,56	304,07,27
Total	7879,10,61	7031,45,04
Gross Investments in India	8014,97,61	7081,82,04
Less : Provision for Investment Depreciation	135,87,00	50,37,00
Net Investments in India	7879,10,61	7031,45,04
II. Outside India	Nil	Nil
Total (I & II)	7879,10,61	7031,45,04
SCHEDULE - 9 ADVANCES		
A. i) Bills Purchased and Discounted	239,12,84	242,54,40
ii) Cash Credits,Overdrafts and Loans repayable on Demand	18245,87,99	15325,37,94
iii) Term Loans	9367,77,75	8264,77,60
Total	27852,78,58	23832,69,94
B. i) Secured by Tangible Assets (includes Advances against Book Debts)	27452,20,72	23363,22,32
ii) Covered by Bank / Goverment Guarantees	57,23,00	126,46,00
iii) Unsecured	343,34,86	343,01,62
Total	27852,78,58	23832,69,94
C. I. Advances in India		
i) Priority Sector	14796,72,19	8618,52,09
ii) Public Sector	57,23,00	126,46,00
iii) Banks	Nil	Nil
iv) Others	12998,83,39	15087,71,85
Total	27852,78,58	23832,69,94
II. Advances outside India	Nil	Nil
Total (I & II)	27852,78,58	23832,69,94

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

	AS ON 31.03.2018	AS ON 31.03.2017
SCHEDULE - 10 FIXED ASSETS		
I. Premises		
i) At Cost as at 31st March of the preceding year	65,59,66	63,14,52
ii) Additions during the year	7,30	2,45,14
iii) Deductions during the year	Nil	Nil
Total	65,66,96	65,59,66
iv) Depreciation to date	11,58,16	10,99,41
Total	54,08,80	54,60,25
II. Other Fixed Assets (including Furniture and Fixtures)		
i) At Cost as at 31st March of the preceding year	477,38,33	429,75,83
ii) Additions during the year	61,27,37	48,40,25
Total	538,65,70	**478,16,08**
iii) Deductions / Adjustments during the year	1,64,97	77,75
Total	537,00,73	**477,38,33**
iv) Depreciation to date	367,96,87	316,90,58
Total	169,03,86	160,47,75
Grand Total	223,12,66	**215,08,00**
SCHEDULE - 11 OTHER ASSETS		
I. Inter office Adjustments	Nil	18,92,00
II. Interest accrued	141,46,28	118,58,91
III. Tax paid in advance / Tax deducted at source	649,28,05	526,11,38
IV. Stationery and Stamps	55,40	59,89
V. Non-Banking assets acquired in satisfaction of claims	Nil	Nil
VI. Others	554,48,58	648,34,93
Total	1345,78,31	1312,57,11

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

	AS ON 31.03.2018	AS ON 31.03.2017
SCHEDULE - 12 CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as Debts	4,50,40	4,24,08
II. Liability for Partly Paid Investments	Nil	Nil
III. Liability on account of outstanding Forward Exchange Contracts	3768,01,77	5381,62,82
IV. Guarantees given on behalf of Constituents		
- In India	1318,99,92	1323,37,66
- Outside India	3,80,65	10,54,07
V. Acceptances, endorsements and other obligations	587,62,21	430,00,50
VI. Other items for which the Bank is contingently liable	33,04,87	26,55,77
Total	5715,99,82	7176,34,90

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)

(₹ in thousands)

	YEAR ENDED 31.03.2018	YEAR ENDED 31.03.2017
SCHEDULE - 13 INTEREST EARNED		
I. Interest / Discount on Advances / Bills	2840,39,52	2590,21,47
II. Income on Investments	522,76,07	538,50,39
III. Interest on Balances with Reserve Bank of India and other Inter-Bank funds	22,68,92	27,25,68
IV. Others	16,57,65	17,81,19
Total	3402,42,16	3173,78,73
SCHEDULE - 14 OTHER INCOME		
I. Commission, Exchange and Brokerage	49,47,05	43,94,18
II. Profit / Loss on sale of Investments (Net)	93,82,65	107,77,65
III. Profit / Loss on revaluation of Investments (Net)	Nil	Nil
IV. Profit / Loss on sale of Land, Buildings and Other Assets	-1,58	6,40
V. Profit on Exchange transactions (Net)	74,35,49	97,84,08
VI. Income earned by way of dividends etc. from subsidiaries, companies and / or joint ventures abroad / in India	Nil	Nil
VII. Miscellaneous Income	314,46,43	234,32,36
Total	532,10,04	483,94,67
SCHEDULE - 15 INTEREST EXPENDED		
I. Interest on Deposits	1927,10,68	1941,83,42
II. Interest on RBI / Inter-Bank Borrowings	37,99,45	25,11,88
III. Others	7,01,99	8,06,76
Total	1972,12,12	1975,02,06
SCHEDULE - 16 OPERATING EXPENSES		
I. Payments to and Provision for Employees	315,88,36	298,13,68
II. Rent, Taxes and Lighting	129,97,94	109,95,24
III. Printingand Stationery	11,43,73	10,59,51
IV. Advertisement and Publicity	18,12,31	16,57,99
V. Depreciation on Bank's Property	52,46,44	53,01,33
VI. Directors' Fees, Allowances and Expenses	1,45,83	95,70
VII. Auditors' Fees and Expenses(including Branch Auditor's fees & expenses)	1,41,64	1,36,68
VIII. Law Charges	73,71	41,75
IX. Postage, Telegrams, Telephone, etc.	13,36,80	13,89,40
X. Repairs and Maintenance	74,98,76	67,87,06
XI. Insurance	34,08,68	28,93,33
XII. Other Expenditure	100,70,67	87,25,82
Total	754,64,87	688,97,49

NOTES ON ACCOUNTS

1. CAPITAL

(₹ in crore)

Sl. No.	Particulars	31st March 2018	31st March 2017
		Basel III	Basel III
i)	Common Equity Tier 1 Capital Ratio (%)	13.92%	14.10%
ii)	Tier 1 Capital Ratio (%)	15.79%	15.35%
iii)	Tier 2 Capital Ratio (%)	0.43%	0.48%
iv)	Total Capital Ratio (CRAR) (%)	16.22%	15.83%
v)	Percentage of shareholding of the Government of India in Public Sector Banks	NA	NA
vi)	Amount of Equity Capital raised	6.37*	0.29
vii)	Amount of Additional Tier 1 Capital raised; of which, PNCPS PDI	Nil	Nil
viii)	Amount of Tier 2 Capital raised; of which, Debt Capital Instrument Preference Share Capital Instruments - PCPS / RNCPS / RCPS	Nil	Nil

* During the year 2017-18, the Bank has allotted 35,57,840 (P.Y. 28,73,602) equity shares aggregating to ₹ 24.56 cr (P.Y. ₹ 15.43 cr) pursuant to exercise of shares under ESOP. The Bank has also issued 6,01,06,488 Bonus shares of ₹ 1/- each in the ratio of one share for every ten shares held.

2. INVESTMENTS

(₹ in crore)

Sl. No.	Particulars	31st March 2018	31st March 2017
1.	Value of Investments		
	(i) Gross value of Investments		
	(a) In India	8014.98	7081.82
	(b) Outside India	Nil	Nil
	(ii) Provision for Depreciation		
	(a) In India	135.87	50.37
	(b) Outside India	Nil	Nil
	(iii) Net Value of Investments		
	(a) In India	7879.11	7031.45
	(b) Outside India	Nil	Nil
2.	Movement of provision held towards depreciation on Investments		
	(i) Opening Balance	50.37	1.72
	(ii) Add: Provision made during the year	85.50	48.65
	(iii) Less: Write-off / Write-back of excess provision during the year	Nil	Nil
	(iv) Closing Balance	135.87	50.37

2.1. Repo Transactions (in face value terms)

(₹ in crore)

Particulars	Outstanding during the year			As at 31st March 2018
	Minimum	Maximum	Daily Average	
Securities sold under Repo				
i) Government Securities	14.88	1077.47	538.51	**1077.47**
ii) Corporate Debt Securities	Nil	Nil	Nil	**Nil**
Securities purchased under Reverse Repo				
i) Government Securities	14.38	355.64	82.17	**197.95**
ii) Corporate Debt Securities	Nil	Nil	Nil	**Nil**

2.2 Non-SLR Investment Portfolio

i) Issuer Composition of Non-SLR Investments

(₹ in crore)

Sl. No.	Issuer	Amount	Extent of Private Placement	Extent of below "Investment Grade" Securities	Extent of "Unrated Securities"	Extent of "Unlisted Securities"
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	PSUs	22.05	11.71	Nil	Nil	3.60
2.	Financial Institutions	4.09	1.00	Nil	Nil	1.00
3.	Banks	7.57	6.00	Nil	Nil	Nil
4.	Private Corporates	1.99	0.33	Nil	Nil	0.33
5.	Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil
6.	Others (Security Receipts)	341.27	341.27	Nil	Nil	341.27
	Total (1 to 6)	**376.97**	**360.31**	**Nil**	**Nil**	**346.20**
7.	Provision held towards depreciation	132.24	***	***	***	***
	BALANCE	**244.73**	**360.31**	**Nil**	**Nil**	**346.20**

ii) Non - Performing Non - SLR Investments

(₹ in crore)

Particulars	31st March 2018	31st March 2017
Opening Balance	**Nil**	Nil
Additions during the year since 1st April	**Nil**	Nil
Reductions during the above period	**Nil**	Nil
Closing Balance	**Nil**	Nil
Total provisions held	**Nil**	Nil

2.3 Sale and Transfer to / from HTM category

During the year ended 31st March, 2018, the Bank has sold Government Securities from Held to Maturity category exceeding 5% of the book value of investments held in HTM category at the beginning of the year. The profit booked out of sale of HTM securities has been transferred to Capital Reserve.

The details of HTM category as on 31st March, 2018 are furnished below : (₹ in crore)

Sl. No.	Particulars	Amount
1.	Market Value as on 31st March, 2018	5969.02
2.	Book value as on 31st March, 2018	6002.06
3.	Excess of Book value over Market value for which provision is not made	33.04

All SLR securities held under HTM have been valued as per FIMMDA / FBIL rates.

2.4 The Reserve Bank of India vide its circular RBI / 2017-18 / 147 DBR No.BP.BC.102 / 21.04.048 / 2017-18 dated 02nd April, 2018, permitted Banks to spread provisioning for Mark to Market (MTM) losses on investments held in AFS and HFT category for the quarters ended 31st December, 2017 and 31st March, 2018 equally over four quarters respectively (commencing with the quarter in which the loss is incurred). The Bank has not availed the said dispensation and has recognised the entire Mark to Market loss on investments in the respective quarters.

3. DERIVATIVES

3.1 Forward Rate Agreement / Interest Rate Swap

(₹ in crore)

Sl. No.	Particulars	31st March 2018	31st March 2017
(i)	The notional principal of swap agreements	Nil	Nil
(ii)	Losses which would be incurred if counterparties failed to fulfil their obligations under the agreements	Nil	Nil
(iii)	Collateral required by the Bank upon entering into swaps	Nil	Nil
(iv)	Concentration of credit risk arising from the swaps	Nil	Nil
(v)	The fair value of the swap book	Nil	Nil

3.2 Exchange Traded Interest Rate Derivatives

(₹ in crore)

Sl. No.	Particulars	31st March 2018	31st March 2017
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March, 2018(instrument-wise)	Nil	Nil

3.2 Exchange Traded Interest Rate Derivatives (Contd.) (₹ in crore)

Sl. No.	Particulars	31st March 2018	31st March 2017
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil
(iv)	Mark-to-Market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise)	Nil	Nil

3.3 Disclosures on risk exposure in derivatives

3.3.1 Qualitative Disclosure :

A. Structure and Organisation for Management of risk in derivatives trading

Operations in the Treasury are segregated into three functional areas, namely Front office, Mid-office and Back-office, equipped with necessary infrastructure and trained officers, whose responsibilities are well defined. The Bank enters into plain vanilla Forward Contracts only to backup / cover customer transactions as also for proprietary trading purpose.

The Integrated Treasury Policy of the Bank clearly lays down the scope of usages, approval process as also the limits like the Open Position Limits, Deal Size Limits and Stop Loss Limits for trading.

The Mid Office is handled by Risk Management Department. Daily report is generated by Risk Management Department for appraisal of the risk profile to the Senior Management for Asset and Liability Management.

B. Scope and nature of Risk Measurement, Risk Reporting and Risk Monitoring Systems

Outstanding forward contracts are monitored by Risk Management Department against the limits (Counterparty, Stop Loss, Open Position, VaR, Aggregate Gap) fixed by the Board and approved by RBI (wherever applicable) and exceedings, if any, are reported to the Board for ratification.

C. Policies for hedging and / or mitigating and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants

The Bank's policy lays down that the transactions with the corporate clients are to be undertaken only after the inherent credit exposures are quantified and approved for customer appropriateness and suitability and necessary documents like ISDA agreements etc., are duly executed. The Bank adopts Current Exposure Method for monitoring the credit exposures.

While sanctioning the limits, the competent authority stipulates condition of obtaining collaterals / margin as deemed appropriate. The derivative limits are reviewed periodically along with other credit limits.

D. Accounting policy for recording the hedge and non-hedge transactions, recognition of Income premiums and discounts, valuation of outstanding contracts, provisioning, collateral and credit risk mitigation

Valuation of outstanding Forward Contracts are done as per FEDAI guidelines in force. Mark to Market profit & loss are taken to Profit & Loss account. MTM profit & loss calculated as per Current Exposure Method are taken into account while sanctioning forward contract limits to customers and collaterals / cash margins are prescribed for credit and market risks. The Bank undertakes foreign exchange forward contracts for its customers and hedges them with other Banks. The credit exposure on account of forward contracts is also considered while arriving at the total exposure of each customer / borrower.

The Bank also deals with other Banks in proprietary trading duly adhering to risk limits permitted by RBI, set in the policy and is monitored by mid office. The Mark to Market values are monitored on monthly basis for foreign exchange forward contracts. The credit equivalent is computed under Current Exposure Method. The operations are conducted in terms of the policy guidelines issued by Reserve Bank of India from time to time and as approved by the Board of the Bank.

3.3.2 Quantitative Disclosures :

(₹ in crore)

Sl. No.	Particulars	Currency Derivatives		Interest Rate Derivatives	
		31st March 2018	31st March 2017	31st March 2018	31st March 2017
(i)	Derivatives (Notional Principal Amount)				
	a) for hedging	**1780.52**	894.94	**Nil**	Nil
	b) for trading	**1987.50**	4486.69	**Nil**	Nil
(ii)	Mark to Market Positions				
	a) Assets (+)	**38.80**	190.09	**Nil**	Nil
	b) Liability (-)	**18.39**	97.93	**Nil**	Nil
(iii)	Credit Exposure @	**125.92**	297.72	**Nil**	Nil
(iv)	Likely impact of one percentage change in interest rate (100 * PV01)				
	a) on hedging derivatives	**Nil**	Nil	**Nil**	Nil
	b) on trading derivatives	**Nil**	Nil	**Nil**	Nil
(v)	Maximum and Minimum of (100 * PV01) observed during the year				
	a) on hedging	**Nil**	Nil	**Nil**	Nil
	b) on trading	**Nil**	Nil	**Nil**	Nil

@ Out of the total credit exposure of ₹ 125.92 cr (P.Y. ₹ 297.72 cr), exposure to the tune of ₹ 75.42 cr (P.Y. ₹ 266.09 cr) is accepted for guaranteed settlement by Clearing Corporation of India (CCIL) and exposure to the tune of ₹ 35.02 cr (P.Y. ₹ 24.05 cr) are other Inter-Bank deals not guaranteed by CCIL. Balance of ₹ 15.48 cr (P.Y. ₹ 7.58 cr) is out of forward contracts outstanding with customers.

4. ASSET QUALITY

4.1. Non-Performing Assets

(₹ in crore)

Sl. No.	Particulars	31st March 2018	31st March 2017
(i)	**Net NPAs to Net Advances (%)**	**1.70%**	1.71%
(ii)	**Movement of Gross NPAs**		
	Opening balance	**681.98**	511.98
	Additions during the year	**574.87**	479.61
	Reductions during the year	**400.30**	309.61
	Closing balance	**856.55**	681.98
(iii)	**Movement of Net NPAs**		
	Opening balance	**408.34**	323.15
	Additions during the year (Net)	**400.38**	366.08
	Reductions during the year	**333.94**	280.89
	Closing balance	**474.78**	408.34
(iv)	**Movement of provision for NPAs (excluding provision on Standard Assets)**		
	Opening balance	**270.31**	186.67
	Provisions made during the year	**303.00**	251.50
	Write-off / Write-back of excess provisions	**196.13**	167.86
	Closing balance	**377.18**	270.31

4.2. Divergence in Asset Classification and Provisioning for NPAs :

In terms of RBI circular DBR.BP.BC.No.63 / 21.04.018 / 2016-17 dated 18th April, 2017, Banks are required to disclose the divergences in asset classification and provisioning consequent to RBI's annual supervisory process in their notes to accounts wherever either a) the additional provisioning requirements assessed by RBI exceed 15% of the published net profits after tax for the reference period or, b) the additional Gross NPAs identified by RBI exceed 15% of the published incremental Gross NPAs for the reference period, or both. Accordingly, RBI inspection has been concluded with position relating to 31st March, 2017 and we do not have requirement of reporting divergence as per RBI / SEBI guidelines for the said period and the same was informed to stock exchanges through our filing dated 30th January, 2018.

4.2.1 Particulars of Accounts Restructured

As per Annexure I.

4.2.2 Disclosures on the scheme for sustainable Structuring of Stressed Assets (S4A), as at 31st March, 2018.

There were no accounts during the year where S4A has been applied.

4.2.3 Disclosures on Flexible Structuring of Existing Loans.

There were no borrowers taken up for flexibility structuring during the year.

4.2.4 Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand-still period)

There were no accounts during the year where SDR has been invoked.

4.2.5 Disclosures on change in Ownership outside SDR scheme (accounts which are currently under the stand-still period)

There were no accounts during the year where Bank has decided to effect change in ownership.

4.2.6 Disclosures on change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period)

There were no project loan accounts during the year where Bank has decided to effect change in ownership.

4.3 Details of financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction

A. Details of Sales (₹ in crore)

Sl. No.	Particulars	31st March 2018	31st March 2017
a.	Number of Accounts	Nil	2
b.	Aggregate value (Net of provision) of accounts sold to SC / RC	Nil	0.21
c.	Aggregate consideration	Nil	0.57
d.	Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
e.	Aggregate gain / loss over net book value	Nil	0.36

Spread over any shortfall, if sale value is lower than NPV over a period of 2 years. This facility of spreading over shortfall for sale of upto 31st March, 2018 - NIL.

B. Details of Book - Value of Investments in Security Receipts (₹ in crore)

Particulars	Backed by NPAs sold by the Bank as underlying		Backed by NPAs sold by other Banks / Financial Institutions / Non-Banking Financial Companies as underlying		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Book value of Investments in Security Receipts	340.43	346.33	0.84	0.84	341.27	347.17

Sale of financial assets to ARCs, the quantum of excess provision reversed to the profit and loss account on account of sale of NPAs - NIL.

C. Sale of Financial Assets to Securitization Company / Reconstruction Company (₹ in crore)

Particulars	SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years
i) Book value of SRs backed by NPAs sold by the Bank as underlying	340.43	Nil	Nil
Provision held against (i)	131.41	Nil	Nil
ii) Book value of SRs backed by NPAs sold by other Banks / Financial Institutions / Non-Banking Financial Companies as underlying	Nil	0.84	Nil
Provision held against (ii)	Nil	0.35	Nil
Total (i) + (ii)	340.43	0.84	Nil

4.4 Details of Non - Performing financial assets purchased / sold

4.4.1 Details of non performing financial assets purchased from other Banks : (₹ in crore)

Sl. No.	Particulars	31st March 2018	31st March 2017
1.	a) Number of accounts purchased during the year	Nil	Nil
	b) Aggregate outstanding	Nil	Nil
2.	a) Of these, No. of a/cs restructured during the year	Nil	Nil
	b) Aggregate outstanding	Nil	Nil

4.4.2 Details of non performing financial assets sold to other Banks : (₹ in crore)

Sl. No.	Particulars	31st March 2018	31st March 2017
1.	Number of accounts sold during the year	Nil	Nil
2.	Aggregate outstanding	Nil	Nil
3.	Aggregate consideration received	Nil	Nil

4.5 Provisions on Standard Assets (₹ in crore)

Particulars	31st March 2018	31st March 2017
Provision towards Standard Assets	105.38	103.88

5. BUSINESS RATIOS

Particulars	31st March 2018	31st March 2017
Interest Income as a percentage to Working Funds	9.21%	9.47%
Non-Interest Income as a percentage to Working Funds	1.44%	1.44%
Operating Profit as a percentage to Working Funds	3.27%	2.97%
Return on Assets	1.60%	1.50%
Business per employee (₹ in crore)	11.48	11.53
Profit per employee (₹ in crore)	0.11	0.11

6. ASSET LIABILITY MANAGEMENT

Maturity Pattern of certain items of Assets and Liabilities - 31st March, 2018

(₹ in crore)

Period	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
1 Day	280.60	51.34	1994.88	233.70	18.06	10.37
2 to 7 days	542.63	1109.45	524.36	380.00	248.70	94.37
8 to 14 days	1496.24	1487.05	819.08	500.00	30.09	4.84
15 to 30 Days	382.41	527.48	866.37	174.00	363.71	322.08
31 days to 60 days	616.99	432.52	634.94	0.00	141.20	31.36
61 days to 90 days	819.03	612.77	509.14	0.00	752.10	795.08
Over 3 months & upto 6 months	1321.05	1173.63	1147.92	0.00	672.05	703.74
Over 6 months & upto 1 year	2466.21	2986.67	206.85	0.00	359.28	518.20
Over 1 year & upto 3 years	21958.45	14731.80	380.60	448.18	81.88	216.93
Over 3 years & upto 5 years	2082.01	2208.56	49.93	0.00	0.00	4.59
Over 5 years	887.00	2531.52	745.04	0.00	0.00	0.00
Total	**32852.62**	**27852.79**	**7879.11**	**1735.88**	**2667.07**	**2701.56**

The above classification has been made on the basis of the guidelines of RBI and certain assumptions made by management and have been relied upon by auditors.

7. EXPOSURES

7.1 Exposure to Real Estate Sector

(₹ in crore)

	Category	31st March 2018	31st March 2017
A)	**Direct exposure**		
	(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; *	**1896.46**	1665.21
	(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits (Fund based ₹1542.52 cr + NFB ₹20.43 cr)	**1562.95**	1360.83
	(iii) Investment in Mortgage Backed Securities (MBS) and other securitised exposures -		
	a. Residential	**Nil**	Nil
	b. Commercial Real Estate	**Nil**	Nil
B)	**Indirect Exposure**		
	Fund based and non-fund based exposures to National Housing Bank (NHB) and Housing Finance Companies (HFCs)	**Nil**	Nil
	Total Exposure to Real Estate Sector	**3459.41**	**3026.04**

* includes individual housing loans eligible for inclusion in priority sector advances amounting to ₹719.06 cr for the year ended 31st March, 2018 and ₹661.58 cr for previous year 31st March, 2017.

7.2 Exposure to Capital Market

(₹ in crore)

Sl. No.	Particulars	31st March 2018	31st March 2017
1.	Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt.	9.21	14.67
2.	Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investments in shares (including IPOs / ESOPs), convertible bonds, convertible debentures and units of equity-oriented mutual funds.	Nil	Nil
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security.	2.88	2.68
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances.	50.20	70.22
5.	Secured and Unsecured Advances to stock brokers and guarantees issued on behalf of stock brokers and market makers.	68.23	60.87
6.	Loans sanctioned to corporate against security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources.	Nil	Nil
7.	Bridge loans to companies against expected equity flows / issues.	Nil	Nil
8.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds.	Nil	Nil
9.	Financing to stock brokers for margin trading.	Nil	Nil
10.	All exposures to venture capital funds (both registered and unregistered).	Nil	Nil
	Total Exposure to Capital Market	130.52	148.44

7.3 Risk Category-wise Country Exposure *

(₹ in crore)

Risk Category	Exposure (net) as at March 2018	Provision held as at March 2018	Exposure (net) as at March 2017	Provision held as at March 2017
Insignificant	778.38	2.25	1204.64	0.54
Low	94.85	Nil	220.16	Nil
Moderate	1.32	Nil	0.11	Nil
High	Nil	Nil	Nil	Nil
Very High	Nil	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-Credit	Nil	Nil	Nil	Nil
Total	**874.55**	**2.25**	**1424.91**	**0.54**

* based on categorization followed by Export Credit Guarantee Corporation of India Ltd.

7.4 Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by the Bank

Single Borrower Limit / Group Borrower Limit has not been exceeded during the year.

7.5 Unsecured Advances - Advances secured by intangible securities such as Rights, licences, authorisations, etc. - Nil

7.6 Amount of Provision for Income-Tax for the year

(₹ in crore)

Particulars	31st March 2018	31st March 2017
Provision for Income Tax	216.89	180.00
Deferred Tax	-18.89	10.00

8. PENALTIES IMPOSED BY RBI

During the year, RBI has imposed penalty of ₹12,000/- on discrepancies detected during Soiled Note Remittances.

9. DISCLOSURES AS PER ACCOUNTING STANDARDS

The Bank has complied with the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India and the following disclosures are made in accordance with RBI's guidelines.

i) **Prior Period Items – AS 5**

There are no material prior period items of Income / Expenditure during the year requiring disclosure.

ii) **Revenue Recognition – AS 9**

As mentioned in Accounting Policy (3) of Income / Expenditure of certain items recognised on cash basis.

iii) **Effects of changes in Foreign Exchange Rates - AS 11**

The Bank is revaluing foreign currency transactions consistently at the weekly average rate of the last week, prescribed by FEDAI, instead of the rate at the date of the transaction as per AS 11. The management is of the view that there is no material impact on the accounts for the year.

iv) Employee Benefits - AS 15

The liability towards Gratuity is met through annual premium payments determined on actuarial valuation by Life Insurance Corporation of India under their Group Gratuity Life Assurance Scheme.

The Bank and its employees contribute a defined sum every month to City Union Bank Employees Pension Fund Superannuation Scheme of Life Insurance Corporation of India to meet the post retirement annuity payments of its employees.

Leave encashment benefits of employees are provided on an actuarial basis but not funded.

The summarized position of the employee benefits recognized in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard-15 (Revised) is as under - Leave Encashment :

a) Changes in the present value of the obligations : (₹ in crore)

Particulars	31st March 2018
Present value of Obligation as at the beginning of the year	52.54
Interest cost	3.63
Current service cost	0.54
Past service cost - (non vested benefits)	Nil
Past service cost - (vested benefits)	Nil
Benefits paid	(6.10)
Actuarial (gain) / loss on obligation	10.12
Present value of obligation at the year end	**60.73**

b) Amount recognized in Balance Sheet : (₹ in crore)

Particulars	31st March 2018
Closing Present value Obligation	60.73
Fair value of Plan Assets	Nil
Difference	60.73
Unrecognised transitional liability	Nil
Unrecognised past service cost - non vested benefits	Nil
Liability recognized in the Balance sheet	**60.73**

c) Expenses recognized in Profit & Loss account : (₹ in crore)

Particulars	31st March 2018
Current Service cost	0.54
Interest cost	3.63
Expected return on Plan Assets	Nil
Net Actuarial (gain) / loss recognised in the year	10.12
Total expenses recognized in the Profit & Loss Account	**14.29**

d) Principal actuarial assumption at the Balance Sheet Date :

Particulars	31st March 2018
Discount factor	7.40%
Salary escalation rate	6.00%
Attrition rate	6.00%
Expected rate of return on Plan Assets	Nil

v) Segment Reporting - AS 17

Summary of the Operating Segments of the Bank are as follows:

(₹ in crore)

BUSINESS SEGMENTS	TREASURY		CORPORATE / WHOLESALE BANKING		RETAIL BANKING		OTHER BANKING OPERATIONS		TOTAL	
Particulars	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
Revenue	713.63	771.38	1012.89	994.44	2193.98	1880.89	14.02	11.02	3934.52	3657.73
Result	399.20	367.36	263.31	261.82	535.39	357.39	9.85	7.17	1207.75	993.74
Unallocated Expenses									Nil	Nil
Operating Profit									1207.75	993.74
Other Prov & Contingencies									417.75	300.97
Income Taxes									198.00	190.00
Exceptional Profit / Loss									Nil	Nil
Net Profit									592.00	502.77
Other Information										
Segment Assets	9261.49	9012.36	9879.61	8692.56	19710.73	16639.21	Nil	Nil	38851.83	34344.13
Unallocated Assets									1085.42	926.65
Total Assets									39937.25	35270.78
Segment Liabilities	8245.19	8042.10	8967.66	7909.63	17891.23	15140.48	Nil	Nil	35104.08	31092.21
Unallocated Liabilities									669.93	608.37
Total Liabilities									35774.01	31700.58
Segment Capital	1016.30	970.26	911.95	782.93	1819.50	1498.73	Nil	Nil	3747.75	3251.92
Unallocated Capital									415.49	318.28
Capital Employed									4163.24	3570.20

Part B - Geographic Segment - The Bank operates only in India.

vi) Related Party disclosures - AS 18

(i) Related Parties:

Parent / Subsidiaries / Associates / JV - Nil
Key Management Personnel - Dr. N. Kamakodi

(ii) Related Party Transactions:

(₹)

Particulars	31st March 2018	31st March 2017
Remuneration	81,25,000	48,00,000
Outstanding Housing Loan	42,12,687	42,67,813

vii) Leases - AS 19

a) Lease rent paid for operating leases are recognized as an expense in the Profit & Loss Account in the year to which it relates.

b) Future lease rents and escalation in the rent are determined on the basis of agreed terms.

c) At the expiry of initial lease term, generally the Bank has an option to extend the lease for a further pre-determined period.

d) The Bank does not have any financial lease.

viii) Earning Per share - AS 20

The details of EPS computation is set out below :

Particulars	31st March 2018	31st March 2017
Earnings for the year (₹ in crore)	591.99	502.77
Basic weighted average number of shares (Nos.)	64,48,91,384	59,89,78,567
Basic EPS (₹)	9.18	8.39
Dilutive effect of stock options (Nos.)	18,83,528	1,15,12,063
Diluted weighted average number of shares (Nos.)	64,67,36,455	61,04,90,630
Diluted EPS (₹)	9.15	8.24
Nominal value of shares (₹)	1	1

ix) Consolidated Financial Statements (CFS) - AS 21

The bank has no Subsidiaries / Joint Venture / Associates. Hence reporting under CFS is not applicable.

x) Accounting for Taxes on Income - AS 22

The major components of the Deferred Tax Asset and Liabilities as at 31st March, 2018 are as follows:

(₹ in crore)

Components	31st March 2018	31st March 2017
Deferred Tax Liability:		
Depreciation on Fixed Assets	5.39	9.28
Accrued Interest on Investments	Nil	29.47
Special Reserve under IT Act	98.99	81.68
Total Deferred Tax Liability (A)	**104.38**	**120.43**
Deferred Tax Asset:		
Provision for Advances (NPA)	17.67	17.67
Leave Encashment	21.02	18.18
Provision for FITL	1.32	1.32
Total Deferred Tax Asset (B)	**40.01**	**37.17**
Net Deferred Tax Liability / (Asset) : (A - B)	**64.37**	**83.26**

xi) Accounting for Investments in Associates in CFS - AS 23

The Bank has no Associates. Hence reporting under CFS - AS 23 is not applicable.

xii) Discontinuing Operations - AS 24

The Bank has not discontinued any of its operations. Hence reporting under CFS – AS 24 is not applicable.

xiii) Interim Financial Reporting - AS 25

Quarterly review have been carried out with reference to RBI and SEBI circulars & prescribed formats.

xiv) Intangible Assets - AS 26

The Bank has followed AS 26 - "Intangible Asset" issued by ICAI and the guidelines issued by RBI and has been consistent with the compliance.

xv) Impairment of Assets - AS 28

In the opinion of the management there is no impairment to the assets to which AS 28 - "Impairment of Assets" applies.

xvi) Provisions & Contingencies - AS 29

The details of the provisions and contingencies, contingent liabilities, the movement of provisions on NPA's and depreciation on investments which are considered material are disclosed elsewhere under the appropriate headings as per RBI guidelines.

10. ADDITIONAL DISCLOSURES

10.1 Break up of Provisions and Contingencies

(₹ in crore)

Particulars	31st March 2018	31st March 2017
Provision for		
- Depreciation on Investments (net)	**95.74**	48.98
- Non Performing Assets	**303.00**	251.50
- Standard Assets	**1.50**	8.00
- Income Tax	**198.00**	190.00
- Restructured Accounts	**-0.80**	-2.50
- Country Exposure	**1.71**	0.19
- Others	**16.60**	-5.20
Total	**615.75**	490.97

10.2.1 Movement in Countercyclical Provisioning Buffer for NPA

(₹ in crore)

Sl.No.	Particulars	31st March 2018	31st March 2017
a)	Opening Balance	**9.65**	9.65
b)	Additions during the year	**Nil**	Nil
c)	Deductions during the year	**Nil**	Nil
d)	Closing Balance	**9.65**	9.65

Reference to RBI Circular DBR No. BP.BC. 79 / 21.04.048 / 2014-15 dt 30th March, 2015, The Bank has not utilised Counter cyclical provisioning Buffer for making NPA provisions.

10.2.2 Movement in Floating Provisions

(₹ in crore)

Sl.No.	Particulars	31st March 2018	31st March 2017
a)	Opening Balance	**9.00**	9.00
b)	Additions during the year	**Nil**	Nil
c)	Deductions during the year	**Nil**	Nil
d)	Closing Balance	**9.00**	9.00

10.3 Drawdown from Reserves

The Bank has not drawn any amount from Reserves during the year.

10.4 Customer Complaints

Sl.No.	Particulars	Number of Customer Complaints					
		General		ATM related		Total	
		FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
a)	No. of complaints pending at the beginning of the year	4	3	69	10	73	13
b)	No. of complaints received during the year	1063	222	21051	7676	22114	7898
c)	No. of complaints redressed during the year	1004	221	21012	7617	22016	7838
d)	No. of complaints pending at the end of the year	63	4	108	69	171	73

Classification of customer complaints (General) received during the quarter ended 31st March, 2018 compared to the previous quarters :

Sl. No.	Classification	Complaints received during the quarter ended									
		31.03.2017		30.06.2017		30.09.2017		31.12.2017		31.03.2018	
		No.	%	No.	%	No.	%	No.	%	No.	%
1.	Credit / Debit cards	17	30.36	10	19.61	24	15.00	91	24.93	168	34.50
2.	Internet Banking / Mobile Banking / eBanking	15	26.79	11	21.57	49	30.63	109	29.86	118	24.23
3.	Staff Behaviour	0	0.00	0	0.00	0	0.00	0	0.00	2	0.41
4.	Discriminatory Pricing	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
5.	Retail	11	19.64	5	9.80	26	16.25	101	27.67	129	26.49
6.	Others	3	5.36	2	3.92	1	0.63	0	0.00	1	0.21
7.	Non-interest charges	3	5.36	4	7.84	16	10.00	18	4.93	23	4.72
8.	Delay in services	3	5.36	10	19.61	25	15.63	20	5.48	12	2.46
9.	Remittances	2	3.57	6	11.76	11	6.88	14	3.84	20	4.11
10.	Pension and Other Government services	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
11.	Loans and Advances-Sanction	2	3.57	2	3.92	7	4.38	11	3.01	13	2.67
12.	Liability Products - Credit of funds	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
13.	Third party service complaints	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
14.	Marketing agents such as (Direct Selling Agents) DSAs	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
15.	Recovery and collection agents	0	0.00	1	1.96	1	0.63	1	0.27	1	0.21
16.	Others (to be specified)	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
	TOTAL	**56**	**100.00**	**51**	**100.00**	**160**	**100.00**	**365**	**100.00**	**487**	**100.00**

10.5 Awards passed by the Banking Ombudsman

Sl.No.	Particulars	31st March 2018	31st March 2017
a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
b)	No. of Awards passed by Banking Ombudsman during the year	Nil	Nil
c)	No. of Awards implemented during the year	Nil	Nil
d)	No. of unimplemented Awards pending at the end of the year	Nil	Nil

10.6 Number of frauds reported, amount involved in such frauds, quantum of provisions made during the year and quantum of unamortised provision debited from "Other Reserves" as at the end of the year.

Sl.No.	Particulars	31st March 2018
a)	Number of frauds reported during the year	7
b)	Amount involved (₹ in crore)	44.06
c)	Provisions made during the year (₹ in crore)	23.70
d)	Quantum of unamortised provision debited from 'Other Reserves'	-

As informed to the Stock Exchanges on 8th December, 2017, during the third quarter, there were certain improper transactions amounting to ₹ 31.55 cr through VISA, MASTER & NPCI networks through ATM switch which were approved outside the Bank's network. The Bank has a cyber insurance cover for ₹ 25 cr and insurance claim has been lodged. The Bank has provided a sum of ₹ 7 cr during the third quarter.

As informed to the Stock Exchanges on 17th February, 2018, during Q4 FY 18, three fraudulent remittances amounting to ₹ 12.13 cr had gone through our SWIFT system which were not initiated by us. Out of this, the Bank received back ₹ 3.25 cr. An amount of ₹ 2.22 cr have been blocked and for getting back the remaining amount the Bank is taking efforts. During the fourth quarter, the Bank has made a provision of ₹ 6.66 cr.

10.7.1 Letters of Comfort

The Bank has not issued any letters of comfort to other banks / branches during the year.

10.7.2 Letter of Undertaking

Letter of Undertaking (LOU) issued by the Bank towards Trade Credit for import of goods into India and outstanding as on 31st March, 2018 was ₹ 114.17 cr (translated at exchange rate published by FEDAI as at the last working day). The Bank has not issued any LOU after 13th March, 2018 in compliance with RBI notification A.P. (DIR Series) Circular No. 20 dated 13th March, 2018. The LOUs issued and outstanding are as per extant RBI guidelines at the time of issue of LOUs and the Bank will not rollover LOUs on expiry. The Bank has not issued any LOUs based on bullion agreement. In the Bank's assessment, no financial impact is likely to arise.

10.8 Provisioning Coverage Ratio (PCR)

The Provisioning Coverage Ratio (PCR) of the Bank as on 31st March, 2018 is 64%. (PY. 61%)

10.9 Bancassurance Business

Income from Bancassurance Business for the financial year 2017-18 is ₹ 6.95 cr (PY. ₹ 6.24 cr)

10.10 Concentration of Deposits, Advances, Exposures and NPAs

10.10.1 Concentration of Deposits

(₹ in crore)

Particulars	31st March 2018	31st March 2017
Total Deposits of twenty largest depositors	2495.76	2938.48
Percentage of Deposits of twenty largest depositors to total Deposits of the Bank	7.60%	9.75%

10.10.2 Concentration of Advances

(₹ in crore)

Particulars	31st March 2018	31st March 2017
Total Advances to twenty largest borrowers	1695.53	1260.56
Percentage of Advances to twenty largest borrowers to Total Advances of the Bank	6.00%	5.23%

10.10.3 Concentration of Exposures

(₹ in crore)

Particulars	31st March 2018	31st March 2017
Total Exposure to twenty largest borrowers / customers	1918.33	1761.40
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the Bank on borrowers / customers	5.82%	5.81%

10.10.4 Concentration of NPAs

(₹ in crore)

Particulars	31st March 2018	31st March 2017
Total Exposure to top four NPA accounts	242.26	195.96

10.11 Sector - wise Advances

(₹ in crore)

Sl. No.	Sector	FY 2017 - 18			FY 2016 - 17		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1.	Agriculture and allied activities	4083.42	68.94	1.69%	3707.09	57.10	1.54%
2.	Advances to industries sector eligible as priority sector lending	4829.66	85.18	1.76%	3965.24	70.66	1.78%
3.	Services	4936.69	73.91	1.50%	3258.79	57.99	1.78%

10.11 Sector - wise Advances (Contd.)

(₹ in crore)

Sl. No.	Sector	FY 2017 - 18			FY 2016 - 17		
		Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	% of Gross NPAs to Total Advances in that sector
4.	Personal Loans	Nil	Nil	Nil	Nil	Nil	Nil
5.	All other priority	946.95	57.05	6.02%	882.40	62.30	7.06%
	Sub-Total (A)	**14796.72**	**285.08**	**1.93%**	**11813.52**	**248.05**	**2.10%**
B	**Non Priority Sector**						
1.	Agriculture and allied activities	Nil	Nil	Nil	Nil	Nil	Nil
2.	Industry	2299.22	241.98	10.52%	2252.16	162.19	7.20%
3.	Services	1170.84	23.67	2.02%	1766.52	28.11	1.59%
4.	Personal Loans	2062.55	69.92	3.39%	1008.43	88.40	8.77%
5.	All other Non-Priority	7909.25	235.90	2.98%	7271.86	155.23	2.13%
	Sub-Total (B)	**13441.86**	**571.47**	**4.25%**	**12298.97**	**433.93**	**3.53%**
	Total (A+B)	**28238.58**	**856.55**	**3.03%**	**24112.49**	**681.98**	**2.83%**

10.12 Movement of NPAs

(₹ in crore)

Particulars	31st March 2018	31st March 2017
Gross NPAs as on 1st April	**681.98**	511.98
Additions (Fresh NPAs) during the year	**574.87**	479.61
Sub-Total (A)	**1256.85**	991.59
Less:-		
(i) Upgradations	**43.25**	55.68
(ii) Recoveries (excluding recoveries made from upgraded accounts)	**162.29**	90.47
(iii) Technical / Prudential write-offs	**183.55**	156.38
(iv) Write-offs other than those under (iii) above	**11.21**	7.08
Sub-Total (B)	**400.30**	309.61
Gross NPAs as on 31st March (A-B)	**856.55**	681.98

Stock of technical write-offs and the recoveries made thereon

(₹ in crore)

Particulars	31st March 2018	31st March 2017
Opening Balance of Technical / Prudential written-off accounts as at 1st April	367.69	296.03
Add : Technical / Prudential write-offs during the year	183.55	156.38
Sub-Total (A)	551.24	452.41
Less : Recoveries made from previously technical / prudential written-off accounts during the year (B)	89.29	84.72
Closing Balance as at 31st March (A - B)	461.95	367.69

10.13 Overseas Assets, NPAs and Revenue

(₹ in crore)

Particulars	31st March 2018
Total Assets	Nil
Total NPAs	Nil
Total Revenue	Nil

10.14 Off-Balance Sheet SPVs sponsored

The Bank has not sponsored any SPVs. (Domestic / Overseas)

10.15 Unamortized Pension and Gratuity Liabilities – Nil.

10.16 Disclosures on Remuneration

Qualitative Disclosures :		
(a)	Information relating to the composition and mandate of the Remuneration Committee.	Compensation and Remuneration Committee comprising of **five members** constituted to oversee the framing, review and implementation of Compensation Policy.
(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	**Key Features:** i) Board oversees the design of the compensation package and operations. ii) Compensation commensurate with the responsibility and accountability. **Objectives:** i) Alignment of compensation with prudent risk taking. ii) Effective Supervisory oversight. iii) Sound Compensation Practices.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	Compensation related to the types of risks and symmetric with risk outcomes.
(d)	Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.	Qualitative features such as skills, knowledge and abilities are factored in.

(e)	A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	i) ESOP and Reservation in Rights Issue to be the components of share based payment. ii) Exgratia payment to be denied only in extreme cases of indiscipline, misuse of trust etc.
(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilizes and the rationale for using these different forms.	Financial Incentives, Exgratia and ESOPs form part of variable remuneration components.

	Quantitative Disclosures :	**Current Year**	**Previous Year**
(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	5 meetings were held during the financial year (Compensation and Remuneration Committee) and the total remuneration and commission paid during the year ₹35,90,411/- (including commission of ₹33,50,411/-)	4 meetings were held during the financial year (Compensation and Remuneration Committee) and the total remuneration paid during the year ₹2,00,000/-
(h)	(i) Number of employees having received a variable remuneration award during the financial year. (ii) Number and total amount of sign-on awards made during the financial year. (iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus. (iv) Details of severance pay, in addition to accrued benefits, if any.	NIL	NIL
(i)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in financial year.	NIL	NIL
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	NIL	NIL
(k)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments. (ii) Total amount of reductions during the financial year due to ex-post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.	NIL	NIL

10.17 Disclosures relating to Securitization

The outstanding amount of securitized assets as per books of the SPVs sponsored by the Bank and total amount of exposures retained by the bank as on 31st March, 2018 - **Nil.**

Sl.No.	Particulars	FY 2018	FY 2017
1.	No of SPVs sponsored by the bank for securitization transactions		
2.	Total amount of securitized assets as per books of the SPVs sponsored by the bank		
3.	Total amount of exposures retained by the bank to comply with MRR as on the date of balance sheet		
	a) Off balance sheet exposures		
	First loss		
	Others		
	b) On balance sheet exposures		
	First loss		
	Others		
4.	Amount of exposure to securitization transactions other than MRR		
	a) Off balance sheet exposures		
	i) Exposures to own securitizations	NIL	NIL
	First Loss		
	Loss		
	ii) Exposures to third party securitizations		
	First Loss		
	Loss		
	b) On balance sheet exposures		
	i) Exposures to own securitizations		
	First Loss		
	Loss		
	ii) Exposures to third party securitizations		
	First Loss		
	Loss		

10.18 Credit Default Swaps

The Bank has not entered into Credit Default Swaps during the Current Financial Year.

10.19 Intra-Group Exposures

Disclosure under proprietary model price	Nil
Disclosure under standard model price	Nil

Hence explanation to rationale behind model is not applicable.

10.20 Transfers to Depositor Education and Awareness Fund (DEAF)

(₹ in crore)

Particulars	Current Year	Previous Year
Opening balance of amounts transferred to DEAF	26.55	15.03
Add : Amounts transferred to DEAF during the year	4.82	11.64
Less : Amounts reimbursed by DEAF towards claims	0.55	0.12
Closing balance of amounts transferred to DEAF	30.82	26.55

10.21 Unhedged Foreign Currency Exposure

a) In terms of RBI circular No. DBOD. NO. BP. BC. 85/21.06.200/2013-14 dated 15th January, 2014 with regard to Capital and Provisioning Requirements for exposures to entities with Unhedged Foreign Currency Exposure, the Bank has a policy approved by the Board of Directors.

b) The provision required for UFC exposure as on 31st March, 2018 is ₹1.95 crore only against which a provision of ₹1.96 crore has already been made.

c) The incremental capital requirement for the unhedged forex exposure as on 31st March, 2018 has been determined based on the additional risk weight value of ₹2.09 crore for the UFC exposure.

11. LIQUIDITY COVERAGE RATIO

11.1 Disclosure Format

As per Annexure II.

11.2 Quality Disclosure around LCR

Liquidity Coverage Ratio has been prescribed by RBI based on LCR Standards published by BCBS.The LCR promotes short term resilience of Banks to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Assets (HQLAs) to survive an acute stress scenario in the immediate 30 days period.

LCR is defined as :

$$\frac{\textit{Stock of High Quality Liquid Assets(HQLA)}}{\textit{Total net cash outflows over the next 30 calendar days}} \geq 100\ \%$$

The LCR standard aims to ensure that a Bank maintains an adequate level of unencumbered HQLAs that can be converted into cash to meet its liquidity needs for the next 30 days period under a significantly severe liquidity stress scenario specified by RBI.

While the BCBS specifies a ratio of minimum 100% for all Banks, RBI has made a graduated increase from 60% to attain 100% by 2019 as given in the schedule below:

Particulars	January 1, 2015	January 1, 2016	January 1, 2017	January 1, 2018	January 1, 2019
Minimum LCR	60%	70%	80%	90%	100%

The main driver of the LCR is HQLA which consists of Cash in hand, Excess CRR balance as on that particular day, Government Securities in excess of minimum SLR requirement, Government Securities within the mandatory SLR requirement to the extent allowed by RBI under MSF (Presently to the extent of 2% of NDTL as allowed for MSF), Facility to avail liquidity for liquidity coverage ratio at 9% of NDTL, Marketable securities representing claims on or claims guaranteed by sovereigns, PSEs or multilateral development banks that are assigned a 20% risk weight under the Basel II standaridized approach for credit risk and provided that they are not issued by a Bank / Financial Institution / NBFC or any of its affiliated entities, Marketable securities representing claims on or claims guaranteed by sovereigns having risk weights higher than 20% but not higher than 50%, Common equity shares not issued by a Bank / Financial Institution / NBFC or any of its affiliated entities and included in NSE CNX Nifty and / or S & P BSE Sensex indices. As the LCR is well within the norms, there is no requirement for intra period changes as well as changes over time.

The Bank has a well-diversified funding portfolio. Retail deposits, considered as stable is the major funding source of the Bank, indicating lower dependence of the Bank on wholesale funds.

The impact of derivative exposures and currency mismatch in the LCR is very minimal. There is no such inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile.

The Liquidity Risk Management in the Bank is guided by the ALM Policy. The Bank's Liquidity management is centralized at Treasury department as per the directions of ALCO.

12.1 Income Tax

Provision for Income Tax in the current year is made as per Income Computation Disclosures Standards (ICDS) after considering various judicial decisions on certain disputed issues.

In the opinion of the management, no provision is considered necessary for earlier years towards disputed tax liability since for the Income Tax claim of ₹646 cr (under Appeal) (previous year ₹ 525 cr) and ₹ 18.94 cr for Service Tax, the Bank has to its support, appellate orders decided in its favour on similar issues..

12.2 Inter Branch Reconciliation

Reconciliation of Central Office accounts maintained by branches has been completed upto 31st March, 2018. Adjustment of outstanding entries in Inter Branch Reimbursement account, Clearing Difference Receivable, Funds in Transit and other similar accounts is in progress. In the opinion of the management, there is no consequential material impact.

12.3 Employees Stock Option

The Bank has allotted 35,57,840 (PY. 28,73,602) equity shares during the year to its eligible employees who have exercised their options granted under ESOP of the Bank

12.4 In accordance with the RBI circular DBOD. No. BPBC.2 / 21.06.201 / 2013-14 dated 01st July, 2013, banks are required to make half yearly Pillar III disclosures under Basel III capital requirements with effect from 30th September, 2013. The disclosures have been made available on the Bank's website.

12.5 CSR activities

(₹ in crore)

Particulars	FY 2017 - 18	FY 2016 - 17
Amount earmarked for CSR activities	12.00	10.25
Amount spent during FY 2016-17	Nil	8.66
Amount spent during FY 2017-18	10.69	Nil

(accounted under Schedule - 16 : Operating Expenses - XII Other Expenditure)

12.6 There are no dues to Micro and Small Enterprises calling for disclosure as at 31st March, 2018 as per the records available.

12.7 Implementation of Ind AS:

The Ministry of Company Affairs (MCA) has notified Accounting Standard (Ind AS) as issued by The Institute of Chartered Accountants of India (ICAI) for implementation beginning from 1st April, 2019 with comparative figures of 2018.

Accordingly, the Ind AS quarterly financials of FY 2019-20 should be published with comparison from June 2019.

As advised by RBI, the Bank has submitted proforma Ind AS financial statements to RBI for the half year ended 30th September, 2016 and for the quarter ended 30th June, 2017 in prescribed format.

12.8 Priority Sector Lending Certificates (PSLC)

During the year, PSLC purchased (SF / MF) ₹ 500 cr and PSLC sold ₹ 3,117 cr (Micro Enterprises ₹ 1,917 cr and General ₹ 1,200 cr).

12.9 In accordance with RBI instruction, the Bank has made a provision of 5% amounting to ₹ 3.62 cr against exposure in the long term food credit advance to Punjab State Government and 15% amounting to ₹ 1.34 cr towards Telangana State.

12.10 RBI Circular DBR No. BP.BC.100/ 21.04.048 / 2017-18 dated 7th February, 2018 permitted Banks to continue the exposures to MSME borrowers registered under Goods & Service Tax (GST) to be classified as Standard Assets where the dues between 1st September, 2017 and 31st January, 2018 are paid not later than 180 days from their respective original due dates. In accordance with the provisions of the circular, the Bank had not recognised interest Income of ₹ 17 lakhs and created a standard assets provision of ₹ 81 lakhs in respect of such accounts.

12.11 The Board of Directors recommend a dividend of 30% (30 paise) per equity share of ₹ 1/- each for the year 2017-18, subject to the approval of the members at the ensuing Annual General Meeting. In accordance with AS 4, Contingencies and Events occuring after the Balance Sheet date notified by the MCA on 30th March, 2016, the proposed dividend has not been shown as appropriation from the Profit and Loss appropriation account as of 31st March, 2018 and correspondingly not reported under Other Liabilities and Provisions as at 31st March, 2018. For computation of capital adequacy ratio as at 31st March, 2018, Bank has adjusted the proposed dividend and tax thereon for determining capital funds.

12.12 The Board of Directors at its meeting held on 24th May, 2018 approved issue of Bonus shares, in the proportion of 1 : 10, i.e. 1 (one) bonus equity share of ₹ 1/- each for every 10 (ten) fully paid-up equity shares held as on the record date, subject to approval by the members of the Bank.

12.13 RBI has advised Banks to make higher provisions for those accounts referred under the provisions of Insolvency and Bankruptcy Code, 2016 (IBC). The Bank had exposure to two such accounts which were declared as NPA and fully provided in earlier years.

12.14 In terms of RBI circular no.DBR.No.BP.BC.64 / 21.04.048 / 2016-17 dated 18th April, 2017. No provision is required to be made since we do not have any exposure in telecom sector.

12.15 Previous year's figures have been regrouped wherever necessary to confirm to the current year classification.

ANNEXURE - I

DISCLOSURE ON RESTRUCTURED ACCOUNTS - YEAR ENDED 31st March, 2018

(₹ in crore)

Sl. No.	Type of Restructuring		Under CDR MECHANISM					Under SME Debt Restructuring Mechanism					OTHERS					TOTAL				
	Asset Classification Details		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
1	Restructured Accounts as on 1st April 17 (Opening figures)*	No. of borrowers	0	0	2	0	**2**	13	8	4	0	**25**	6	0	1	0	**7**	19	8	7	0	**34**
		Amount outstanding	0.00	0.00	79.42	0.00	**79.42**	7.33	10.19	19.21	0.00	**36.73**	128.48	0.00	6.53	0.00	**135.01**	135.81	10.19	105.16	0.00	**251.16**
		Provision thereon	0.00	0.00	1.44	0.00	**1.44**	0.14	0.24	0.43	0.00	**0.81**	2.88	0.00	0.00	0.00	**2.88**	3.02	0.24	1.87	0.00	**5.13**
2	Fresh restructuring during the year	No. of borrowers	0	0	0	0	**0**	0	0	0	0	**0**	0	0	0	0	**0**	0	0	0	0	**0**
		Amount outstanding	0.00	0.00	0.00	0.00	**0.00**	0.23	0.00	0.02	0.00	**0.25**	0.31	0.00	9.50	0.00	**9.81**	0.54	0.00	9.52	0.00	**10.06**
		Provision thereon	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
3	Upgradations to restructured standard category during the FY	No. of borrowers	0	0	0	0	**0**	0	0	0	0	**0**	0	0	0	0	**0**	0	0	0	0	**0**
		Amount outstanding	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
		Provision thereon	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	0	0	0	0	**0**	1	0	0	0	**1**	0	0	0	0	**0**	1	0	0	0	**1**
		Amount outstanding	0.00	0.00	0.00	0.00	**0.00**	3.96	0.00	0.00	0.00	**3.96**	0.00	0.00	0.00	0.00	**0.00**	3.96	0.00	0.00	0.00	**3.96**
		Provision thereon	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
5	Downgradations of restructured accounts during the FY	No. of borrowers	0	0	0	0	**0**	-2	-5	7	0	**0**	-2	0	2	0	**0**	-4	-5.00	9	0	**0**
		Amount outstanding	0.00	0.00	0.00	0.00	**0.00**	-1.68	-6.95	8.63	0.00	**0.00**	-120.63	0.00	120.63	0.00	**0.00**	-122.31	-6.95	129.26	0.00	**0.00**
		Provision thereon	0.00	0.00	0.00	0.00	**0.00**	-0.05	-0.09	0.14	0.00	**0.00**	-2.82	0.00	2.82	0.00	**0.00**	-2.87	-0.09	2.96	0.00	**0.00**
6	Write-offs of restructured accounts during the FY	No. of borrowers	0	0	1	0	**1**	2	3	4	0	**9**	0	0	2	0	**2**	2	3	7	0	**12**
		Amount outstanding	0.00	0.00	11.15	0.00	**11.15**	0.51	3.24	25.54	0.00	**29.29**	1.52	0.00	62.28	0.00	**63.80**	2.03	3.24	98.97	0.00	**104.24**
		Provision thereon	0.00	0.00	0.00	0.00	**0.00**	0.02	0.15	0.51	0.00	**0.68**	0.00	0.00	0.47	0.00	**0.47**	0.02	0.15	0.98	0.00	**1.15**
7	Restructured Accounts as on 31st March, 2018 (closing figures*)	No. of borrowers	0	0	1	0	**1**	8	0	7	0	**15**	4	0	1	0	**5**	12	0	9	0	**21**
		Amount outstanding	0.00	0.00	68.27	0.00	**68.27**	1.41	0.00	2.32	0.00	**3.73**	6.64	0.00	74.38	0.00	**81.02**	8.05	0.00	144.97	0.00	**153.02**
		Provision thereon	0.00	0.00	1.44	0.00	**1.44**	0.07	0.00	0.06	0.00	**0.13**	0.06	0.00	2.35	0.00	**2.41**	0.13	0.00	3.85	0.00	**3.98**

* Both Opening and Closing Figures are excluding the figures of standard restructured advances which do not attract higher provisioning and risk weight.

1. Provision thereon figures represent erosion in fair value.
2. Sl No. 2 includes : Fresh Restructuring includes additional facility to existing borrowers under SME - ₹ 0.23 cr and NSME - ₹ 0.31 cr, but the borrower count is not taken into account for those existing borrowers who have been given additional facility.

   Sl No. 2 figures reported under SSA & DA are those borrowers who were standard more than 2 years at the beginning of the FY 2017-18 and whose accounts became NPA during FY 2017-18.
3. Sl No.6 includes both Repayment by borrowers and Technical Written off made by the Bank during the FY 2017-18. For existing borrowers repayment under CDR - ₹ 11.15 cr, SME - ₹ 4.61 cr and NSME - ₹ 4.06 cr. Technical write off under CDR - Nil, SME - ₹ 24.68 cr. and NSME - ₹ 59.74 cr. The Borrower count for repayment is not taken as balance is still o/s as on 31st March, 2018. However, for Technical write off, borrower count is taken. It also includes repayment done by borrower whose A/c were standard more than 2 yrs at the beginning of FY 2017-18 and slipped as NPA during FY 2017-18.
4. Provision of ₹ 0.13 cr. is for Standard < 2 years arrived on the basis of ROI Method.
5. Additional provision made in the Books of accounts relating to Standard Restructured Accounts is 5% with Ref to RBI Circular DBR No. BP.BC.2/21.04.048/2015-16 dated 1st July, 2015.

ANNEXURE - II

LIQUIDITY COVERAGE RATIO DISCLOSURE

(₹ in crore)

Liquidity Coverage Ratio		Current year for the Quarter ended								Previous Year *	
		Mar - 18		Dec - 17		Sep - 17		Jun - 17		Mar - 17	
Particulars		Total Unweighted Value (Avg)	Total Weighted Value (Avg)	Total Unweighted Value (Avg)	Total Weighted Value (Avg)	Total Unweighted Value (Avg)	Total Weighted Value (Avg)	Total Unweighted Value (Avg)	Total Weighted Value (Avg)	Total Unweighted Value (Avg)	Total Weighted Value (Avg)
High Quality Liquid Assets											
1.	Total High Quality Liquid Assets (HQLA)	**4663.03**		**4426.55**		**4489.09**		**4514.75**		**4657.80**	
	Cash Outflows										
2.	Retail Deposits and deposits from small business customers, of which:	23843.49	1985.38	23256.98	1934.66	22826.44	1897.38	22159.77	1833.55	21783.96	1792.45
	(i) Stable Deposits	7979.48	398.98	7820.68	391.03	7705.28	385.26	7648.46	382.42	7718.82	385.94
	(ii) Unstable Deposits	15864.01	1586.40	15436.30	1543.63	15121.16	1512.12	14511.31	1451.13	14065.14	1406.51
3.	Unsecured Wholesale funding	3207.61	1297.32	3017.42	1317.93	3152.84	1413.46	3138.27	1467.87	3339.82	1514.03
	(i) Operational Deposits (all counterparties)	0.52	0.13	0.34	0.09	0.37	0.09	0.53	0.13	0.47	0.12
	(ii) Non operational deposits (all counterparties)	3207.09	1297.19	3017.08	1317.84	3152.47	1413.37	3137.74	1467.74	3339.35	1513.91
	(iii) Unsecured debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.	Secured Wholesale funding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.	Additional requirements	3426.04	413.83	3359.96	309.85	3237.97	319.89	3394.87	348.78	3309.94	327.55
	(i) Outflows related to derivative exposures, derivative exposures and other collateral requirements	194.23	194.23	97.27	97.27	110.85	110.85	127.71	127.71	113.04	113.04
	(ii) Outflows related to loss of funding on debt products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(iii) Credit and liquidity facilities	3231.81	219.60	3262.69	212.58	3127.12	209.04	3267.16	221.07	3196.90	214.51
6.	Other Contractual Funding Obligations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7.	Other Contingent Funding Obligations	1859.48	55.78	1706.76	51.20	1693.42	50.80	1713.11	51.37	1789.63	53.69
8.	TOTAL CASH OUTFLOWS	32336.62	3752.31	31341.12	3613.64	30910.67	3681.53	30406.02	3701.57	30223.35	3687.72
	Cash Inflows										
9.	Secured Lending	370.96	185.48	312.29	156.15	303.08	151.54	274.26	137.13	261.96	130.98
10.	Inflows from fully performing exposures	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11.	Other Cash Inflows	305.07	305.07	120.71	120.71	53.69	53.69	69.52	69.52	388.08	388.08
12.	Total Cash Inflows	676.03	490.55	433.00	276.86	356.77	205.23	343.78	206.65	650.04	519.06
21.	TOTAL HQLA	**4663.03**		**4426.55**		**4489.09**		**4514.75**		**4657.80**	
22.	TOTAL NET CASH OUTFLOWS (Total Weighted Value)	**3261.76**		**3336.78**		**3476.30**		**3494.92**		**3168.66**	
23.	LIQUIDITY COVERAGE RATIO (%)	**142.96%**		**132.66%**		**129.13%**		**129.18%**		**147.00%**	

* Average of January - March 2017 alone furnished as applicable to previous year

STATEMENT OF ACCOUNTING POLICIES

1. BASIS OF PREPARATION

The Bank's financial statements are prepared under the historical cost convention and on accrual basis of accounting, unless otherwise stated, by following going concern assumption and confirm in all material aspects to Generally Accepted Accounting Principles (GAAP) in India, which comprises applicable statutory provisions, regulatory norms / guidelines prescribed by the Reserve Bank of India, Accounting Standards, Banking Regulation Act, 1949, Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and practices prevalent in the Banking industry in India.

2. USE OF ESTIMATES

The preparation of financial statements require the management to make estimates and assumptions considered for Assets and Liabilities (including contingent liabilities) as on the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

SIGNIFICANT ACCOUNTING POLICIES

3. REVENUE RECOGNITION

Income and Expenditure are accounted on accrual basis, except the following;

a. Interest on non-performed advances and non-performing investments is recognized as per norms laid down by Reserve Bank of India.

b. Interest on overdue bills, commission, exchange, brokerage and rent on lockers are accounted on realization.

c. Dividend is accounted when the right to receive the same is established.

In case of suit filed accounts, related legal and the expenses incurred are charged to Profit and Loss Account and on recovery, the same are accounted as income.

4. EFFECTS OF CHANGES IN THE FOREIGN EXCHANGE RATE

a. Assets and Liabilities denominated in Foreign Currencies are translated at the rates notified by FEDAI at the close of the year. Profit or Loss accruing from such transactions is recognised in the Profit and Loss Account.

b. Income and Expenditure items have been translated at the exchange rates prevailing on the date of the transactions.

c. The Bank does not have a branch in any Foreign Country.

d. Outstanding Forward Exchange contracts are revalued at the exchange rates notified by FEDAI and the resultant net gain or loss is recognised in the Profit and Loss Account.

e. Foreign Currency Guarantees, Acceptances, Endorsements and other obligations are reported at the exchange rates prevailing on the date of the Balance Sheet.

5. INVESTMENTS

5.1 As per RBI guidelines, the investments of the Bank are classified into the following categories at the time of acquisition

- Held to Maturity (HTM)
- Available for Sale (AFS)
- Held for Trading (HFT)

They are further sub classified and shown in Balance Sheet under the following six categories:

i) Government Securities
ii) Other Approved Securities
iii) Shares
iv) Debentures and Bonds
v) Subsidiaries / Joint Ventures and
vi) Others

a) Securities classified under "Held to Maturity" category are valued at acquisition cost. Where the acquisition cost is higher than the face value, such excess of acquisition cost over the face value is amortised over the remaining period to maturity.

b) Securities held in "Available for Sale" Category are valued scrip wise as under:

i) Government of India Securities are valued at market price as per quotation put out by

Fixed Income Money Market and Derivatives Association of India & Bloomberg / Financial Benchmark India Limited.

ii) State Government loans, Trustee Securities, Securities guaranteed by Central / State Governments and PSU Bonds are valued on appropriate Yield to Maturity (YTM) basis as per Fixed Income Money Market and Derivatives Association of India & Bloomberg / Financial Benchmark India Limited.

iii) Treasury Bills / Certificate of Deposits / Commercial Papers are valued at carrying cost.

iv) Equity Shares are valued at market rate if quoted, otherwise at Break up Value as per the latest Balance Sheet, if available, or ₹1/- per Company.

v) Preference shares are valued at market price if quoted or at appropriate YTM basis as per Fixed Income Money Market and Derivatives Association of India & Bloomberg / Financial Benchmark India Limited.

vi) Debentures / Bonds are valued at market price, if quoted, otherwise on an appropriate YTM basis.

vii) Mutual Funds are valued at market price, if quoted, or at NAV or Market Price / Repurchase Price.

viii) Security Receipts are valued at NAV as declared by Securitization companies.

c) Individual scrips under "Held for Trading" category are valued at Market Price.

5.2 Individual scrips in Available for Sale / Held for Trading are valued at scrip wise aggregated category wise and net depreciation, if any, for each category is charged to Profit & Loss Account, while net appreciation, if any, is ignored.

5.3 Shifting of securities from one category to another category is carried out at lower of acquisition cost / book value / market value on the date of transfer. The depreciation, if any on such transfer is fully provided for.

5.4 Profit / Loss on sale of Investments in any category is taken to the Profit & Loss Account. However, in case of sale of investment in "Held to Maturity" category, the profit is first credited to Profit and Loss Account and thereafter an amount equivalent to profit, net of Statutory Reserve and taxes, is appropriated to the Capital Reserve Account.

5.5 Commission, brokerage, broken period interest etc. on securities incurred on acquisition is debited to Profit and Loss account. Commission, incentives, brokerage received on subscription is deducted from the cost of the securities.

5.6 The Investments shown in the Balance Sheet are net of Depreciation, if any.

5.7 The Non Performing Investments are identified and provided for, as per RBI guidelines.

6. LOANS / ADVANCES AND PROVISIONS THEREON

6.1 Advances have been classified as per the Asset Classification norms laid down by the Reserve Bank of India. The required provisioning for Standard Assets and for Non Performing Assets have been made as per the Regulatory Norms.

6.2 Advances shown in the Balance Sheet are net of provisions and interest reserve on NPA accounts, technical write offs, ECGC / DICGC claims received and provisions for Restructured accounts.

6.3 Partial recoveries in Non Performing Assets are apportioned first towards charges and interest, thereafter towards principal with the exception of non performing advances involving compromise settlements in which case the recoveries are first adjusted towards principal.

6.4 NPAs are classified into Sub-standard, Doubtful and Loss Assets based on the following criteria stipulated by RBI:

i. Sub-standard: A loan asset that has remained non-performing for a period of less than or equal to 12 months.

ii. Doubtful : A loan asset that has remained in the sub-standard category for a period of 12 months.

iii. Loss : A loan asset where loss has been identified but the amount has not been fully written off.

6.5 Provisions are made for NPAs as per the extant guidelines prescribed by the regulatory authorities,

subject to minimum provisions as prescribed below:

Substandard Assets :

i. A general provision of 15% on the total outstanding;

ii. Additional provision of 10% for exposures which are unsecured ab-initio (i.e. where realizable value of security is not more than 10 percent ab-initio);

iii. Unsecured Exposure in respect of infrastructure advances where certain safeguards such as escrow accounts are available - 20%.

Doubtful Assets :

- Secured portion	i. Upto one year	- 25%
	ii. One to three years	- 40%
	iii. More than three years	- 100%
- Unsecured portion		- 100%

Loss Assets :

100% to be provided on the total outstanding;

6.6 Floating Provisions:

The Bank has a policy for creation and utilisation of floating provisions separately for advances, investments and general purposes. The quantum of floating provisions to be created is assessed at the end of the financial year. The floating provisions are utilised only for contingencies under extraordinary circumstances specified in the policy with prior permission of Reserve Bank of India.

6.7 Provision for Country Exposure :

In addition to the specific provisions held according to the asset classification status, provisions are also made for individual country exposures (other than the home country). Countries are categorised into seven risk categories namely; insignificant, low, moderate, high, very high, restricted and off-credit and provisioning made as per extant RBI guidelines. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposures. The provision is reflected in Schedules of the Balance Sheet.

7. FIXED ASSETS, DEPRECIATION & AMORTIZATION

7.1 Premises and other Fixed Assets are accounted at acquisition cost less depreciation.

7.2 Depreciation has been provided on the composite value for premises acquired with land and building, where cost of the land is not separately identifiable.

7.3 With effect from 1st April, 2014, in accordance with the Companies Act, 2013, the Bank has provided depreciation based on useful life of the assets in line with Schedule II of the Companies Act, 2013. Further the method of depreciation is on Straight line method (SLM) in respect of all fixed assets. Depreciation on assets purchased and sold during the year is provided on pro rata basis.

8. STAFF BENEFITS

8.1 Provision towards leave encashment is accounted on actuarial basis in accordance with the guidelines contained in Accounting Standard 15 (revised 2005) issued by ICAI.

8.2 Liability for Gratuity to staff is contributed to the Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.

8.3 Payments to defined contribution schemes such as Provident Fund and Employees Pension Fund Superannuation Scheme of Life Insurance Corporation of India are charged as expenses as they fall due.

9. EMPLOYEES STOCK OPTION SCHEME

The Employee Stock Option Scheme provides for grant of equity stock options to employees that vest in a graded manner. The Bank follows the intrinsic value method to account for its employee compensation costs arising from grant of such options. The excess of fair market price over the exercise price shall be accounted as employee compensation cost in the year of vesting. The fair market price is the latest closing price of the shares on the stock exchanges in which shares of the Bank are largely traded immediately prior to the date of meeting of the Compensation Committee in which the options are granted.

10. SEGMENT REPORTING

The Bank recognises the Business Segment as the Primary Reporting Segment and Geographical Segment as the Secondary Reporting Segment, in

accordance with the RBI guidelines and in compliance with the Accounting Standard 17.

Business Segment is classified into (a) Treasury (b) Corporate and Wholesale Banking, (c) Retail Banking (d) Other Banking Operations.

11. EARNING PER SHARE

Basic earning per share is calculated by dividing the net profit of the year by the weighted average number of equity shares.

Diluted earning per share is computed using the weighted average number of equity shares and dilutive potential equity shares.

12. IMPAIRMENT OF ASSETS

An assessment is made at each balance sheet date whether there is any indication that an asset is impaired. If any such indication exists, an estimate of the recoverable amount is made and impairment loss, if any, is provided for.

13. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

13.1 In conformity with AS.29 "Provisions, Contingent Liabilities and Contingent Assets" issued by the Institute of Chartered Accountants of India, the Bank recognizes provision only when:

a) It has a present obligation as a result of a past event.

b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and

c) A reliable estimate of the amount of the obligation can be made.

13.2 No provision is recognized for :

i. Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

ii. Any present obligation that arises from past events but is not recognized because

a) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or

b) A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as Contingent Liabilities. These are assessed at regular intervals and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

13.3 Contingent Assets are not recognized in the financial statements.

14. INCOME TAX

Income Tax comprises current tax and deferred tax for the year. The deferred tax assets / liability is recognised in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

15. NET PROFIT

The Net Profit disclosed in the Profit and Loss Account is after considering :

15.1 Provision for taxes on income in accordance with statutory requirements.

15.2 Provision for bad and doubtful advances and investments.

15.3 Contingent Provision for Standard Assets.

15.4 Other usual and necessary provisions.

16. SPECIAL RESERVES

Revenue and other Reserve include Special Reserve created under Section 36(i)(viii) of the Income Tax Act, 1961. The Board of Directors of the Bank have passed a resolution approving creation of the reserve and confirming that it has no intention to make withdrawal from the Special Reserve.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2018

(₹ in thousands)

	2017 - 18	2016 - 17
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as per P&L account	**591,99,79**	**502,76,88**
Adjustments for :		
Depreciation	**52,46,44**	53,01,33
Provisions & Contingencies - Tax	**198,00,00**	190,00,00
Provisions & Contingencies - Others	**417,75,42**	300,96,97
Profit on sale of Investments	**-93,82,65**	-107,77,65
Profit on sale of Assets	**1,58**	-6,40
Foreign exchange fluctuations	**-74,35,49**	-97,84,08
Operating Profit before working capital changes	**1092,05,09**	**841,07,05**
Adjustments for :		
Funds advanced to Customers	**-4322,28,63**	-3024,78,32
Other Operating Assets	**160,97,54**	-57,76,86
Deposits from Customers	**2736,88,34**	2957,60,71
Borrowings from Banks	**1204,88,32**	-133,54,84
Other Operating Liabilities	**-89,03,07**	-53,93,11
Purchase and sale of Investments (Net)	**-849,57,34**	-146,20,22
Cash Generated from Operations	**-66,09,75**	**382,44,41**
Taxation - Income Tax	**-116,99,79**	-98,83,50
Net Cash flow from Operating Activities - A	**-183,09,54**	**283,60,91**
Cash flow from Investing Activities		
Purchase of Fixed Assets	**-61,34,67**	-50,85,39
Sale of Fixed Assets	**81,99**	53,08
Net Cash used in Investing Activities - B	**-60,52,68**	**-50,32,31**
Cash flow from Financing Activities		
Proceeds from issue of Share Capital	**35,58**	28,74
Proceeds from Share Premium	**24,55,74**	15,14,56
Dividend Paid	**-19,78,43**	-17,37,93
Tax on distributed profits	**-4,03,80**	-2,43,55
Net Cash flow from Financing Activities - C	**109,08**	**-4,38,18**
Net increase in Cash and Cash equivalents (A+B+C)	**-242,53,14**	228,90,42
Cash and Cash equivalents as at 31.03.2017	**2878,97,51**	2650,07,09
Cash and Cash equivalents as at 31.03.2018	**2636,44,37**	**2878,97,51**

For and on behalf of the Board

Chennai
24th May, 2018

Dr. N. KAMAKODI
MD & CEO

V. RAMESH
GM - CFO & CS

S. MAHALINGAM
Chairman

R. VENKATASUBRAMANIAN
Chief General Manager

S. RAMESH
Deputy General Manager

Prof. V. KAMAKOTI
R. MOHAN
ABARNA BHASKAR
M. NARAYANAN

S. BERNARD
V.N. SHIVASHANKAR
T.S. SRIDHAR

Directors

As per our separate report of even date

For **Sundaram & Srinivasan**
Chartered Accountants
(Firm No.004207S)

Chennai
24th May, 2018

P. Menakshi Sundaram
Partner
M. No.217914

DETAILS OF NOSTRO ACCOUNTS

Sl. No.	Name of the Bank	Place	Currency
1.	Masherq Bank	UAE	AED
2.	State Bank of India	Sydney	AUD
3.	Standard Chartered Bank	London	CAD
4.	Zuercher Kantonal Bank	Zurich	CHF
5.	Standard Chartered Bank	Frankfurt	EUR
6.	Commerz Bank	Frankfurt	EUR
7.	Wells Fargo Bank	London	EUR
8.	Standard Chartered Bank	London	GBP
9.	State Bank of India	Tokyo	JPY
10.	SkandeneviskaEnskildaBanken	Stockholm	SEK
11.	Standard Chartered Bank	Singapore	SGD
12.	Bank of America	NewYork	USD
13.	Standard Chartered Bank	NewYork	USD
14.	Wells Fargo Bank	NewYork	USD

Bank's SWIFT Address : CIUBIN5M

LIST OF BRANCHES

ANDHRA PRADESH
ADONI
AMALAPURAM
ANAKAPALLI
ANANTHPUR
BHIMAVARAM
CHILAKALURIPET
CHIRALA
CHITTOOR
CUDDAPAH
DHARMAVARAM
ELURU
GAJUWAKA
GUDIVADA
GUDUR
GUNTAKAL
GUNTUR - PATNAM BAZAAR
GUNTUR - ARUNDELPET
HINDUPUR
KAKINADA
KAVALI
KURNOOL
MACHILIPATNAM
MADANAPALLI
NANDYAL
NARASARAOPET
NELLORE
ONGOLE
PRODATTUR
RAJAMUNDRY
SRIKAKULAM
TANUKU
TENALI
TIRUPATHI
THULLURU
TUNI
VIJAYAWADA - BHAVANARAYANA STREET
VIJAYAWADA - GOVERNORPET
VISHAKAPATINAM
VIZIANAGARAM

CHANDIGARH
CHANDIGARH

CHATTISHGARH
RAIPUR

GUJARAT
AHMEDABAD - NAVRANGPURA
AHMEDABAD - RAIPUR
ANKALESWAR
BHAVNAGAR
GANDHIDHAM
JAMNAGAR
RAJKOT
SURAT
SURAT II
VADODARA (BARODA)
VAPI

HARYANA
GURGAON
FARITHABAD

KARNATAKA
BENGALURU - BANASHANKARI
BENGALURU - BANASWADI
BENGALURU - BASAVANGUDI
BENGALURU - BOMMASANDRA
BENGALURU - DOD BALLAPUR
BENGALURU - HSR LAYOUT
BENGALURU - INDIRA NAGAR
BENGALURU - J. P. NAGAR
BENGALURU - JAYA NAGAR
BENGALURU - K.R.PURAM
BENGALURU - KORAMANGALA
BENGALURU - MALLESWARAM
BENGALURU - MARTHAHALLI
BENGALURU - PEENYA
BENGALURU - R.T.NAGAR
BENGALURU - RAJAJINAGAR
BENGALURU - SULTANPET
BENGALURU - VIDYARANYAPURA
BENGALURU - VIJAYANAGAR
BENGALURU - WHITE FIELD
BELGAUM
BELLARY
DAVENGERE
HASSAN
HOSKOTE
HUBLI
JIGANI
KENGERI
MANGALORE
MYSORE
RAMANAGARA
SHIMOGA
TIPTUR
TUMKUR
YELAHANKA

KERALA
ALAPUZHA
ALUWA
ANGAMALY
CALICUT
CHAVAKKAD
EDAPALLI
ERNAKULAM
KANNUR
KOLLAM
KOTTAYAM
PALGHAT
THIRUVALLA
THIRUVANANTHAPURAM
THRIPUNITHURA
TRISSUR
TRISSUR - EAST FORT

MADHYA PRADESH
BHOPAL
INDORE

MAHARASHTRA
AMRAVATHI
AURANGABAD
BHIWANDI
ICHALKARANJI
KHARGHAR
KOLHAPUR
MUMBAI - ANDHERI
MUMBAI - CHEMBUR
MUMBAI - DOMBVILI
MUMBAI - FORT
MUMBAI - KALYAN
MUMBAI - KHAR (WEST)
MUMBAI - MIRA ROAD
MUMBAI - NERUL
MUMBAI - THANE (WEST)
MUMBAI - VASHI
NAGPUR
NASHIK
PUNE

NEW DELHI
NEW DELHI - CHANDINI CHOWK
NEW DELHI - JANAKPURI
NEW DELHI - KAROLBAGH
NEW DELHI - LAJPAT NAGAR
NEW DELHI - LAXMI NAGAR
NEW DELHI - MAYUR VIHAR
NEW DELHI - ROHINI

ODISHA
BHUBANESWAR

PUDUCHERRY
ARIYANKUPPAM
KARAIKAL
PUDUCHERRY
REDDIARPALAYAM
VILLIANUR

PUNJAB
AMRITSAR
JALANDHAR
LUDHIANA

RAJASTHAN
AJMER
BALOTRA
BHILWARA
JAIPUR
JODHPUR
KISHANGARH
KOTA
PALI
UDAIPUR

TAMIL NADU
ADUTHURAI
AGARAMTHEN
AGARATHIRUMALAM
ALANGANALLUR
ALANGUDI
ALANGULAM
AMBASAMUDRAM
AMMAPETTAI
ANNALAGRAHARAM
ANTHIYUR
ARAKKONAM
ARANI
ARANTHANGI
ARIYALUR
ARUPUKOTTAI
ASUR
ATHANKOTTAI
ATTUR
AVINASHI
AYYEMPETTAI
BALAKRISHNAPURAM
BARGUR
BATLAGUNDU
BHAVANI
BODINAYAKANUR
CHENNAI - ABHIRAMAPURAM
CHENNAI - ADAMBAKKAM
CHENNAI - ADYAR
CHENNAI - AMBATTUR
CHENNAI - AMINJIKARAI
CHENNAI - ANAKAPUTHUR
CHENNAI - ANNA NAGAR
CHENNAI - ANNA NAGAR WEST
CHENNAI - ARUMBAKKAM
CHENNAI - ASHOK NAGAR
CHENNAI - AVADI
CHENNAI - AYAPPAKKAM
CHENNAI - AYYAPPANTHANGAL
CHENNAI - CHENGALPET
CHENNAI - CHINMAYA NAGAR
CHENNAI - CHITLAPAKKAM

LIST OF BRANCHES (Contd.)

CHENNAI - CHROMPET
CHENNAI - CHROMPET NEW COLONY
CHENNAI - EAST TAMBARAM
CHENNAI - EGMORE
CHENNAI - EKKATTUTHANGAL
CHENNAI - GEORGE TOWN
CHENNAI - GERUGAMBAKKAM
CHENNAI - GUDUVANCHERY
CHENNAI - ILLALUR
CHENNAI - JALLADIAMPET
CHENNAI - K K NAGAR
CHENNAI - KARAPAKKAM
CHENNAI - KATHIVAKKAM
CHENNAI - KATTUPAKKAM
CHENNAI - KELAMBAKKAM
CHENNAI - KOILAMBAKKAM
CHENNAI - KOLATHUR
CHENNAI - KORATTUR
CHENNAI - KOTTIVAKKAM
CHENNAI - KUNDRATHUR
CHENNAI - MADHAVARAM
CHENNAI - MADIPAKKAM
CHENNAI - MADURAVOYAL
CHENNAI - MANALI
CHENNAI - MANAPAKKAM
CHENNAI - MANDAVELI
CHENNAI - MANGADU
CHENNAI - MANNIVAKKAM
CHENNAI - MARAIMALAI NAGAR
CHENNAI - MEDAVAKKAM
CHENNAI - MELAKOTTAIYUR
CHENNAI - MELAVALAMPETTAI
CHENNAI - MINJUR
CHENNAI - MOUNT ROAD
CHENNAI - MUDICHUR
CHENNAI - MUGAPPAIR
CHENNAI - MYLAPORE
CHENNAI - NANGANALLUR
CHENNAI - NANMANGALAM
CHENNAI - NAVALUR
CHENNAI - NUNGAMBAKKAM
CHENNAI - ORAGADAM
CHENNAI - PADAPPAI
CHENNAI - PADI
CHENNAI - PAKKAM
CHENNAI - PALLAVARAM
CHENNAI - PAMMAL
CHENNAI - PERAMBUR
CHENNAI - PERUMBAKKAM
CHENNAI - PERUNGALATHUR
CHENNAI - POLICHALUR
CHENNAI - POONAMALLEE
CHENNAI - PURASAWALKAM
CHENNAI - PUZHUTHIVAKKAM
CHENNAI - RAMAPURAM
CHENNAI - REDHILLS
CHENNAI - RENGARAJAPURAM
CHENNAI - ROYAPETTAH
CHENNAI - ROYAPURAM
CHENNAI - SAIDAPET
CHENNAI - SELAIYUR
CHENNAI - SEMMANJERI
CHENNAI - SINGAPERUMAL KOIL
CHENNAI - SITHALAPAKKAM
CHENNAI - T NAGAR
CHENNAI - TAMBARAM
CHENNAI - TEYNAMPET
CHENNAI - THIMMAVARAM
CHENNAI - THIRUMAZHISAI
CHENNAI - THIRUMUDIVAKKAM
CHENNAI - THIRUMULLAIVOYAL
CHENNAI - THIRUNINDRAVUR
CHENNAI - THIRUVALLUR
CHENNAI - THIRUVERKADU
CHENNAI - THIRUVOTTIYUR
CHENNAI - THORAIPAKKAM
CHENNAI - TIRUVANMIYUR
CHENNAI - TRIPLICANE
CHENNAI - URAPAKKAM
CHENNAI - VADAPALANI
CHENNAI - VALASARAVAKKAM
CHENNAI - VANAGARAM
CHENNAI - VEERAPURAM
CHENNAI - VELACHERY
CHENNAI - VELAPPANCHAVADI
CHENNAI - VELLANOOR
CHENNAI - VEPPAMPATTU
CHENNAI - VILLIVAKKAM
CHEYYARU
CHIDAMBARAM
CHINNALAPATTI
CHINNAMANUR
CHINNASALEM
CHINTHAMANI
COIMBATORE - CHINNIAMPALAYAM
COIMBATORE - GANAPATHY
COIMBATORE - KOVAIPUDUR
COIMBATORE - MALUMICHAMPATTI
COIMBATORE - OPPANAKARA STREET
COIMBATORE - P N PALAYAM
COIMBATORE - PANNIMADAI
COIMBATORE - PERIYANAIKENPALAYAM
COIMBATORE - PERUR
COIMBATORE - PODANUR
COIMBATORE - R.S.PURAM
COIMBATORE - RAM NAGAR
COIMBATORE - RAMANATHAPURAM
COIMBATORE - SAIBABA COLONY
COIMBATORE - SARAVANAMPATTI
COIMBATORE - SINGANALLUR
COIMBATORE - SIVANANDA COLONY
COIMBATORE - SUNDARAPURAM
COIMBATORE - TVS NAGAR
COIMBATORE - VADAVALLI
COIMBATORE - VILANKURICHI
CUDDALORE
CUMBUM
DARAPURAM
DEVAKOTTAI
DEVANANCHERY
DHALAVOIPURAM
DHARASURAM
DHARMAPURI
DINDIGUL
ELLAMPILLAI
ERAVANCHERY
ERODE
ERODE - PALLIPALAYAM
ERODE - PERUNDURAI
ERODE - SURAMPATTI
ERODE - THINDAL
GINGEE
GOBICHETTIPALAYAM
GUMMIDIPOONDI
HARUR
HOSUR
IDAPPADI
IKKARAIBOOLUVAMPATTI
ILAYANGUDI
IRUNGALUR
JALAKANDAPURAM
JAYANKONDAM
KADAGAMBADI
KADAYANALLUR
KALAHASTINAPURAM
KALAYARKOIL
KALLAKURICHI
KANCHEEPURAM
KANGAYAM
KAPPANAMANGALAM
KARADIPATTI
KARAIKUDI
KARAMADAI
KARUR
KATPADI
KATTUMANNARKOIL
KEELAKARAI
KEELAPALUVUR
KETTAVARAMPALAYAM
KINATHUKADAVU
KODANGIPALAYAM
KODAVASAL
KOMARAPALAYAM
KOOTHANALLUR
KORADACHERY
KORANATTU KARUPPUR
KOTTUR
KOVILPATTI
KRISHNAGIRI
KULASEKARAM
KUMBAKONAM - GANDHINAGAR
KUMBAKONAM - MAIN
KUMBAKONAM - TOWN
KUNIAMUTHUR
KUNNATHUR
KURICHI
KUTTALAM
MADAGUDI
MADAPATTU
MADUKKUR
MADURAI - ANNA NAGAR
MADURAI - CHOCKIKULAM
MADURAI - KOODAL NAGAR
MADURAI - K.PUDUR
MADURAI - MAIN
MADURAI - OTHAKADAI
MADURAI - S.S. COLONY
MADURAI - T V S NAGAR
MADURAI - THIRUNAGAR
MADURAI - VILAKKUTHOON
MADURAPAKKAM
MADURAPURI
MANAMADURAI
MANAPPARAI
MANGAIMADAM
MANGALAM
MANIAKARANPALAYAM
MANJAKOLLAI
MANJAKUDI
MANJANAYACKANPATTI
MANNARGUDI
MARTHANDAM
MAYILADUTHURAI
MELAKABISTHALAM
MELUR
METTUPALAYAM
MODAKURICHI
MUDIKONDAN
MUSIRI
MUTHUPET
NACHIAR KOIL
NADUKKADAI
NADUPATTY
NAGAPATTINAM
NAGERKOIL
NAGORE
NALLAMANGUDI
NAMAKKAL
NANJIKOTTAI
NANNILAM
NARANAMANGALAM
NATHAM

LIST OF BRANCHES (Contd.)

NEDUNKUNDRAM
NEYVELI
NILAKKOTTAI
NORTH POIGAINALLUR
ODDANCHATRAM
ODDERPALAYAM
OMALUR
PADUR
PALANI
PALAVATHANKATTALAI
PALAYAMKOTTAI
PALLADAM
PANRUTI
PARAMAKUDI
PARUTHIKOTTAI
PATTEESWARAM
PATTUKOTTAI
PERAMBALAUR
PERIYAKULAM
PERUMANALLUR
POLLACHI
PONNAMARAVATHI
PONNERI
PORAYAR
PUDUKKOTTAI
PULIYANKUDI
PULIYUR - KULATHUR
RAJAPALAYAM
RAMANATHAPURAM
RANIPET
RASIPURAM
RISHIVANDIYAM
S.PUDUR
SAHUPURAM
SAKKOTTAI
SALEM - FAIR LANDS
SALEM - MAIN
SALEM - SHEVAPET
SALEM - SURAMANGALAM
SANKAGIRI
SANKARANKOIL
SANNANALLUR
SANOORAPATTI
SATHYAMANGALAM
SATTUR
SEMBANARKOIL
SENGANUR
SENGURICHI
SHOLINGANALLUR
SHOLINGHUR
SILLATUR
SIRKALI
SITHARKADU
SIVAGANGAI
SIVAKASI
SOMANUR
SRIPERAMBUDUR
SRIVILLIPUTHUR
SULUR
SURANDAI
TENKASI
THUCKALAI
THALAIVASAL
THALAIYUTHU
THAMARANGKOTTAI
THANJAVUR - MAIN
THANJAVUR - MEDICAL COLLEGE ROAD
THARAMANGALAM
THENI
THENNAMPALAYAM
THEPPARUMANALLUR
THILLAINAYAGAPURAM
THIMMACHIPURAM
THIMMAKUDI
THIRUCHENGODU
THIRUINDALUR
THIRUMALAISAMUDRAM
THIRUMANGALAM
THIRUNAGESWARAM
THIRUPPALAI
THIRUTHURAIPOONDI
THIRUVALANCHUZHI
THIRUVENCHERY
THOGUR
THONDAMUTHUR
THUDIYALUR
TINDIVANAM
TIRUKKATTUPALLI
TIRUKOILUR
TIRUMAKOTTAI
TIRUMARUGAL
TIRUNELLIKAVAL
TIRUNELVELI
TIRUNELVELI JUNCTION
TIRUPANANDAL
TIRUPATHUR
TIRUPOONDI
TIRUPPUR
TIRUPPUR - NALLUR
TIRUPPUR - PN ROAD
TIRUPPUR - VEERAPANDY
TIRUTTANI
TIRUVANNAMALAI
TIRUVARUR - TOWN
TIRUVARUR - VIJAYAPURAM
TIRUVIDAIMARUTHUR
TRICHY - CANTONMENT
TRICHY - K.K.NAGAR
TRICHY - KARUMANDAPAM
TRICHY - KATTUR
TRICHY - MAIN
TRICHY - PICHANDAR KOIL
TRICHY - SRINIVASA NAGAR
TRICHY - SRIRANGAM
TRICHY - THILLAINAGAR
TRICHY - THUVAKUDI
TUTICORIN
UDUMALPET
ULLIKOTTAI
UNAIYUR
USILAMPATTI
UTHIRAMERUR
UTHUKULI
VADAKKUTHU
VADAMADURAI
VADALUR
VALAJANAGARAM
VALANGAIMAN
VALLAM
VANDHAVASI
VANIYAMBADI
VARADARAJAPURAM
VAZHAPADI
VEDARANYAM
VEDASANDUR
VEERAPANDI
VEERAPANDI PUDUR
VEERAPERUMANALLUR
VELLALAR AGARAM
VELLAKOVIL
VELLORE
VELLORE - AMBUR
VELLORE - GUDIYATHAM
VELLORE - MELVISHRAM
VELLORE - SATHUVACHARI
VENGAIVASAL
VILANDAI
VILANDAKANDAM
VILLUPURAM
VILLAPURAM
VIRUDHACHALAM
VIRUDHUNAGAR

TELENGANA
ADILABAD
HYDERABAD - MAIN
HYDERABAD - AMEERPET
HYDERABAD - A.S.RAO NAGAR
HYDERABAD - BALANAGAR
HYDERABAD - BODUPPAL
HYDERABAD - DILSUKHNAGAR
HYDERABAD - KONDAPUR
HYDERABAD - KUKATPALLY
HYDERABAD - MALKAJGIRI
HYDERABAD - SIDAMBAR BAZAAR
HYDERABAD - VANASTHALIPURAM
JAGTIAL
KAMAREDDY
KARIMNAGAR
KHAMMAM
KUKATPALLY
MANCHERIAL
MANIKONDA
MEDCHAL
MEERPET
MEHDIPATNAM
MIYAPUR
NALGONDA
NIRMAL
NIZAMABAD
SECUNDERABAD - RANIGANJ
WARRANGAL

UTTAR PRADESH
ALLAHABAD
KANPUR
LUCKNOW
VARANASI

WEST BENGAL
KOLKATA - B.B.D. BAG
KOLKATA - RASH BEHARI AVENUE

EXTENSION COUNTERS
SRMIST, KATTANKULATHUR - CHENNAI
SRMIST, RAMAPURAM - CHENNAI
SRM UNIVERSITY - MODI NAGAR (GHAZIABAD)
PUBLIC HEALTH CENTRE, WEST MAMBALAM, CHENNAI.
SHRIRAM COLLEGE, PERUMALPETTU,
SHRIRAM COLLEGE VEMPPAMPATTU
THIYAGARA COLLEGE OF ENGINEERING, TIRUPARANKUNDRAM
ST ANGELOES COLLEGE, LUCKNOW
SRMIST, SONIPET-HARYANA

INTERNATIONAL BANKING DIVISION
T NAGAR, CHENNAI

SERVICE BRANCH
ANNA SALAI, CHENNAI

BASEL III - PILLAR 3 DISCLOSURE AS ON 31st MARCH, 2018

1. Scope of Application and Capital Adequacy

Table DF - 1

SCOPE OF APPLICATION

City Union Bank Limited is an old premier Private Sector Bank which was incorporated on 31st October, 1904 with its Registered Office at Kumbakonam, Tamilnadu, India. The Bank was included in the Second Schedule of Reserve Bank of India Act, 1934, on 22nd March, 1945. The Bank does not have any Subsidiary / Associate companies under its Management.

Qualitative Disclosures :

Summary

Type of Capital	Features
Common Equity Tier I Capital	During the year 2017-18, the Bank has allotted 35,57,840 equity shares of face value of ₹ 1/- each, pursuant to exercise of stock options by employees and allotment of one Bonus equity share for every 10 equity shares of face value of ₹ 1/- each (1:10) held by the existing shareholders on the Record date (i.e. 17th July, 2017) to the tune of 6,01,06,488. The Equity Share Capital of the Bank as on 31st March, 2018 stood at ₹ 66.47 crore. Pursuant to the Bonus Issue, the Share Premium account has been adjusted to the tune of ₹ 6.01 crore and the share premium collected during this year was ₹ 24.56 crore on account of issuance of stock options to the employees. The Share Premium account as on 31st March, 2018 stood at ₹ 838.88 crore.
Tier II Capital	The Bank has not raised Tier II capital during the year 2017-18. The details of Lower Tier II capital to the tune of ₹ 10.00 crore raised in earlier year as given below has been redeemed on its due date i.e. 30th April, 2017. **Type of Instrument :** Unsecured, Redeemable and Non-Convertible **Nature :** Plain Vanilla Bonds with no special features like put or call option etc

Date of Issue	Amount (₹ in crore)	Tenure (Months)	Coupon (%)	Rating
30th March, 2007	10.00	121	10.00% Annual	CARE "A+"

Quantitative Disclosures : (₹ in crore)

Sl. No.	Description	Amount	
1.	Common Tier - I Capital		**4134.40**
	- Paid-up Share Capital - Total	66.47	
	- Reserves & Surplus	4067.93	
	Amount deducted from Tier I Capital (if any)		**13.94**
	- Intangible Assets	13.89	
	- Cross holdings	0.05	
	Total Eligible Tier I Capital		**4120.46**

Quantitative Disclosures : (Contd.) (₹ in crore)

Sl. No.	Description	Amount	
2.	**Tier - II Capital**		**111.97**
	a) Revenue Reserves (Investment Reserve)	2.38	
	b) Provision for Country Risk exposure	2.25	
	c) Provision for Unhedged exposure	1.96	
	d) Provision for Standard Assets	105.38	
	Less: Cross Holdings		0.00
	Total Tier II Capital		**111.97**
3.	**Total Eligible Capital (Tier I and Tier II)**		**4232.43**

Table DF - 2

CAPITAL ADEQUACY

Qualitative Disclosure :

A. A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.

In order to strengthen the capital base of Banks in India, the Reserve Bank of India in April, 1992 introduced capital adequacy measures in Banks, based on the capital adequacy framework (Basel I) issued by Basel Committee on Banking Supervision (BCBS). Initially, the framework addressed capital for credit risk, which was subsequently amended to include capital for market risk as well. The Bank has been compliant with regard to maintenance of minimum capital for credit and market risks.

Subsequently, the BCBS has released the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (popularly known as Basel II document) on 26th June, 2004. Reserve Bank of India has issued final guidelines on 27th April, 2007 for implementation of the New Capital Adequacy (Basel II) Framework.

In line with the RBI guidelines, the Bank has successfully migrated to the revised framework (Basel-II) from 31st March, 2009. The Bank has continued the Parallel run of Basel II framework continuously tracking the exposures and studied the impact on Bank's Capital to Risk Weighted Assets Ratio (CRAR) on a quarterly basis.

Reserve Bank of India issued guidelines based on the Basel III reforms on capital regulation during May 2012, to the extent applicable to Banks operating in India. The Basel III capital regulation has been implemented from 1st April, 2013 in India in phases and it was decided originally to implement fully as on 31st March, 2018. RBI issued detailed Guidelines on Composition of Capital Disclosure Requirements on 28th May, 2013. Another circular on "Implementation of Basel III Capital Regulations in India – Capital Planning" has been issued by RBI on 27th March, 2014, in which, the transitional period for full implementation of Basel III Capital Regulations in India is extended upto 31st March, 2019, instead of 31st March, 2018. RBI has issued circular on "Prudential Guidelines on Capital Adequacy and Liquidity Standards – Amendments" on 31st March, 2015. The Basel III Capital Regulations have been consolidated in Master Circular – Basel III Capital Regulations vide circular No. DBOD.No. BP.BC.1 / 21.06.201 / 2015-16 dated 1st July, 2015.

Under the Basel II framework, the total regulatory capital comprises of Tier I (core capital) and Tier 2 capital (supplementary capital). In order to improve the quality of regulatory capital, the capital will predominantly consist of Common Equity Tier1 (CET1) under Basel III. Non-equity Tier 1 and Tier 2 capital would continue to form part of regulatory capital subject to eligibility criteria as laid down in Basel III. The Basel III capital regulations continue to be based on three-mutually reinforcing Pillars, viz. Minimum Capital Requirements (Pillar 1), Supervisory Review of Capital Adequacy (Pillar 2) and Market Discipline (Pillar 3) of the Basel II Capital Adequacy framework.

The Basel-III norms mainly seek to:

- Raise the quality of capital to ensure that the Banks are capable to absorb losses on both as going concern and as gone concern basis
- Increase the risk coverage of the capital framework
- Introduce leverage ratio to serve as a backstop to the risk-based capital measure
- Raise the standards for the supervisory review process and public disclosures etc.

The macro prudential aspects of Basel III are largely enshrined in the capital buffers. Both the buffers i.e. the capital conservation buffer and the countercyclical buffer are intended to protect the Banking sector from stressed situations and business cycles.

Minimum capital requirements under Basel-III

Under the Basel III Capital Regulations, Banks are required to maintain a minimum Pillar 1 Capital (Tier-I + Tier-II) to Risk-weighted Assets Ratio (CRAR) of 9% on an on-going basis. Besides these minimum capital requirements, Basel III also provides for creation of capital conservation buffer (CCB) and countercyclical capital buffer (CCCB). At present, RBI mandates for CCB @ 2.5% of Risk Weighted Assets to be maintained at 0.625% every year starting March, 2016. Accordingly, the total regulatory capital funds under Basel-III norms will consist of the sum of the following categories and Banks are required to maintain 11.5% of Risk Weighted Assets (9% + 2.5%) by March, 2019.

Transitional Arrangements as per the RBI norms :- (% to RWA's)

Capital Ratios	31.03.2016	31.03.2017	31.03.2018	31.03.2019
Minimum Common Equity Tier I (CET-1)	5.50	5.50	**5.50**	5.50
Capital Conservation Buffer	0.625	1.250	**1.875**	2.50
Minimum CET1 + CCB	6.125	6.75	**7.375**	8.00
Minimum Tier 1 Capital (excluding CCB)	7.00	7.00	**7.00**	7.00
Tier-2 Maximum allowed	2.00	2.00	**2.00**	2.00
Minimum Total Capital	9.00	9.00	**9.00**	9.00
Minimum Total Capital + CCB	9.625	10.250	**10.875**	11.50

B. The Bank's approach in assessment of capital adequacy

The Bank is following Standardized approach, Standardized Duration approach and Basic Indicator approach for measurement of capital charge in respect of credit risk, market risk and operational risk respectively. Besides computing CRAR under the Pillar I requirement, the Bank also undertakes stress testing periodically in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy. The Bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar I & II of Basel guidelines. The adequacy of Bank's capital funds to meet the future business growth is being assessed in the ICAAP document.

C. Quantitative Disclosures :

(₹ in crore)

a)	Capital requirements for Credit Risk: (@ 9.00% on Risk weighted Assets)		
	Portfolios subject to Standardised Approach		2053.73
	Securitisation exposures		Nil
b)	Capital requirements for Market Risk:		
	Standardised Duration approach		53.38
	Interest Rate Risk	20.07	
	Equity Risk	31.31	
	Foreign Exchange Risk	2.00	
c)	Capital requirements for Operational Risk:		
	Basic indicator approach		208.04
	Minimum capital required (a+b+c)		2315.15
d)	Capital Conservation Buffer (CCB) at 1.875%		489.13
	Minimum Total Capital + CCB		2804.28
	Total Capital Funds available		4232.43
	Total Risk Weighted Assets		26087.01
e)	Common Equity Tier I CRAR %		13.92%
	Capital Conservation Buffer		1.87%
	Tier I CRAR %		15.79%
	Tier II CRAR %		0.43%
	Total CRAR %		16.22%

2. Risk Exposure and Assessment

Risk is an integral part of Banking business in an ever dynamic environment, which is undergoing radical changes both on the technology front and product offerings. The main risks faced by the Bank are credit risk, market risk and operational risk. The Bank aims to achieve an optimum balance between risk and return to maximize shareholder value. The relevant information on the various categories of risks faced by the Bank is given in the ensuing sections. This information is intended to give market participants a better idea on the risk profile and risk management practices of the Bank.

The Bank has a comprehensive risk management system in order to address various risks and has set up an Integrated Risk Management Department (RMD), which is independent of operational departments. Bank has a Risk Management Committee of Board functioning at apex level for formulating, implementing and reviewing Bank's risk management measures pertaining to credit, market and operational risks. Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure comprising of Risk Management Committee of Executives (RMCE) assisted by Asset Liability Management Committee (ALCO), Credit Risk Management Committee (CRMC) and Operational Risk Management Committee (ORMC) at senior management level. Credit Risk Management Committee deals with credit policies and procedures, Asset Liability Management Committee deals with Asset Liability Management (ALM) and Investment Policy of the Bank and Operational Risk Management Committee formulates policies and procedures for managing operational risks.

The Bank has formulated the required policies such as Integrated Risk Management Policy, Loan Policy, Credit Risk Management Policy, ALM Policy, Integrated Treasury Policy, Inspection and Audit Policy, KYC Policy, Risk Based Internal Audit Policy, Stress Testing Policy, Disclosure Policy, ICAAP Policy and Credit Risk Mitigation & Collateral Management Policy, Risk Rating and Pricing Policy, etc for mitigating the risk in various areas and monitoring the same.

The structure and organization of Risk Management functions of the Bank is as follows :

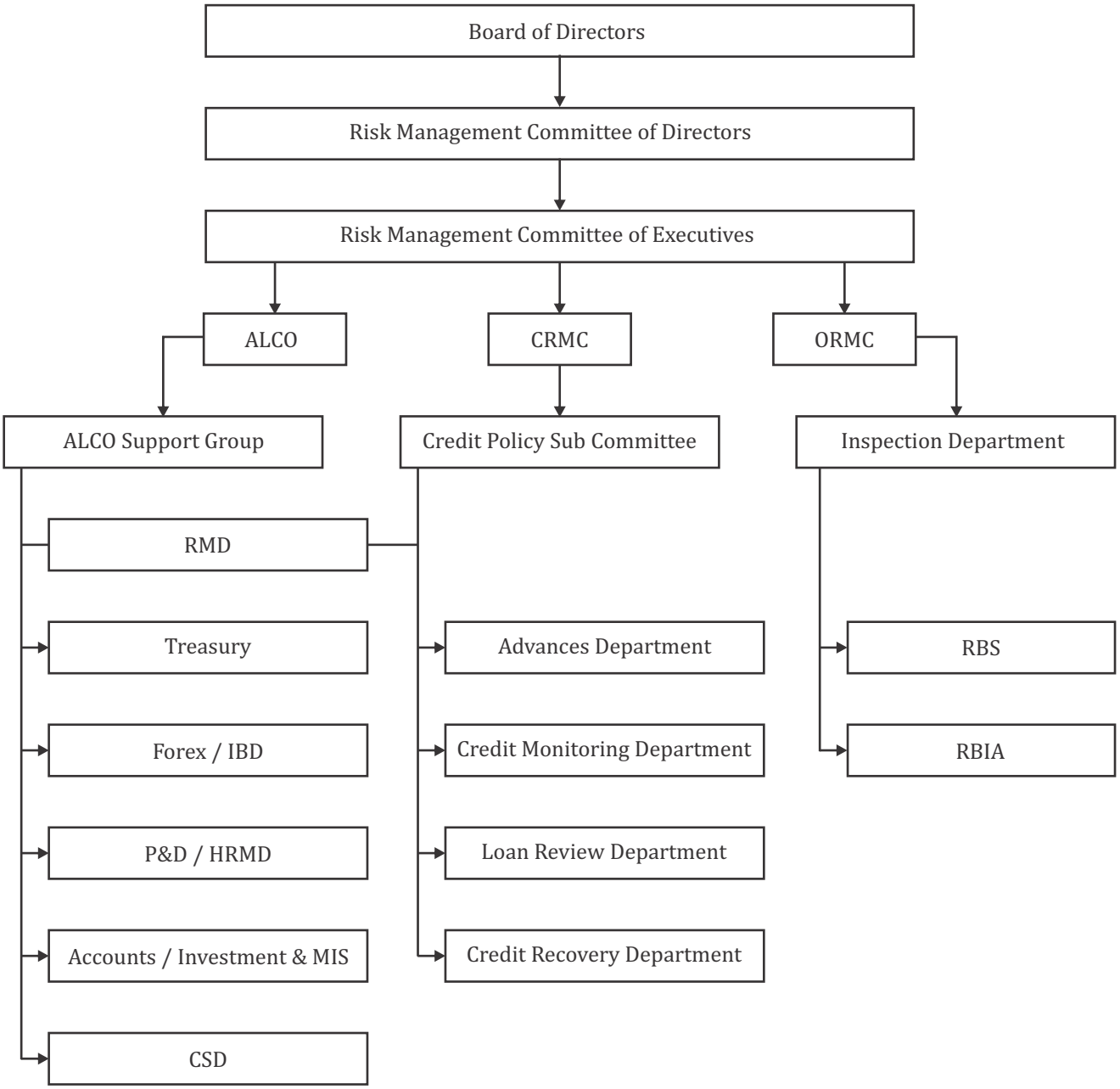


Table DF - 3

CREDIT RISK: GENERAL DISCLOSURES

Credit Risk

Credit Risk is a possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a Bank's portfolio, Credit Risk arises mostly from lending activities of the Bank, when a borrower is unable to meet its financial obligations emanating from potential changes in the credit quality / worthiness of the borrowers or counterparties.

Credit Risk Management encompasses a host of management techniques, which help the Banks in mitigating the adverse impacts of credit risk. The objective of the Credit Risk Management is to identify, measure, monitor and control credit risk by adopting suitable methodology.

The Bank has formulated Loan Policy which stipulates various prudential norms, bench marks, guidelines for sanctioning of credits and recovery of the same. The Bank has also formulated a separate Credit Risk Management Policy, besides a Policy on Credit Risk Mitigation and Collateral Management.

Credit Risk is assessed by a robust internal credit risk rating system. Credit Risk Rating is the process wherein the merits and demerits of a borrower are captured and assigned with scorings, which enables the Bank to take a view on the acceptability or otherwise of any credit proposal.

Credit Risk Management Policy

The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Board. The Policy document defines organization structure, roles and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified and managed. Credit Risk is monitored on a Bank wide basis and the compliance with regard to the risk limits approved by the Credit Risk Management Committee (CRMC) / Board is ensured.

The Bank adopts the definition of 'past due' and 'impaired credits' (for reporting purposes) as defined by Reserve Bank of India under Income Recognition, Asset Classification and provisioning (IRAC) norms (vide RBI Master Circular dated 1st July, 2015).

Quantitative Disclosures :

Total Gross Credit Risk Exposures including Geographic Distribution of Exposure : (₹ in crore)

Exposure as on 31st March 2018	Domestic	Overseas	Total
Fund based	30077.32	Nil	30077.32
Non-fund based	2530.93	Nil	2530.93
Investment (Non SLR)	376.96	Nil	376.96
Total	**32985.21**	**Nil**	**32985.21**

Industry type distribution of exposures as on 31st March, 2018

(₹ in crore)

Sl. No.	INDUSTRY / ACTIVITY	Funded Exposure	Non-Funded Exposure	Investment exposure (Non SLR)	Total Exposure
1.	Mining and Quarrying	51.83	2.28	0.53	54.64
2.	Iron and Steel	1125.02	263.87	0.33	1389.22
3.	Other Metal and Metal Products	478.23	99.91	0.00	578.14
4.	Engineering (of which Electronics)	152.13	79.80	0.00	231.93
5.	Others (incl Electrical & Home Appliances)	439.01	161.44	0.00	600.45
6.	Cotton Textiles	1424.97	127.90	0.00	1552.87
7.	Other textiles (Other than Cotton)	1699.29	111.48	0.00	1810.77
8.	Food Processing	132.89	48.17	0.00	181.06
9.	Beverages and Tobacco	40.87	5.17	0.00	46.04
10.	Leather and Leather Products	16.38	1.39	0.00	17.77
11.	Wood and Wood Products	90.55	123.58	0.00	214.13
12.	Paper and Paper Products	700.96	58.01	0.00	758.97
13.	Petroleum, Coal Products and Nuclear Fuels	47.02	1.73	0.00	48.75
14.	Drugs and Pharmaceuticals	55.94	14.10	0.47	70.51
15.	Chemicals and Chemical Products (Dyes, Paints, etc.)	350.02	148.74	0.00	498.76
16.	Rubber, Plastic and their Products	199.07	15.34	0.00	214.41
17.	Glass & Glassware	20.97	0.09	0.00	21.06
18.	Cement and Cement Products	16.31	1.01	0.00	17.32
19.	Vehicles, Vehicle Parts and Transport Equipments & Auto parts	232.78	33.02	0.00	265.80
20.	Gems and Jewellery	84.92	17.94	0.00	102.86
21.	Construction	1126.71	20.43	0.00	1147.14
22.	Infrastructure	177.78	20.06	8.25	206.09
23.	Other Industries	113.10	14.53	0.00	127.63
	All Industries Total	**8776.75**	**1369.99**	**9.58**	**10156.32**
	Residuary other Advances	21300.57	1160.94	367.38	22828.89
	Gross Exposure (funded, non-funded & investment exposure)	**30077.32**	**2530.93**	**376.96**	**32985.21**

Note : The exposure to Other Textiles industry accounted for 5.49% of Total Gross Exposure as of 31st March, 2018. The coverage of advances to the above industry occupies the top position among the total industry sectors.

Residual contractual maturity breakdown of Assets as on 31st March, 2018

(computed as per the guidelines of RBI on Asset Liability Management)

(₹ in crore)

Period	Cash, RBI Balance and Balance with all Banks	Advances (Net)	Investments (Net)	Fixed & Other Assets	Total
1 Day	429.39	51.34	1994.88	36.65	2512.26
2 to 7 Days	196.29	1109.45	524.35	32.35	1862.44
8 to 14 Days	0.00	1487.05	819.08	43.94	2350.07
15 to 30 Days	271.96	527.48	866.37	19.09	1684.90
31 days to 60 Days	128.58	432.52	634.94	9.76	1205.80
61 days to 90 Days	462.90	612.77	509.14	10.08	1594.89
Over 3 Months & upto 6 Months	431.00	1173.63	1147.92	136.80	2889.35
Over 6 Months & upto 1 Year	354.39	2986.67	206.85	150.15	3698.06
Over 1 Year & upto 3 Years	305.66	14731.80	377.47	159.65	15574.58
Over 3 Years & upto 5 Years	20.73	2208.56	49.94	283.54	2562.77
Over 5 Years	35.54	2531.52	748.17	686.90	4002.13
Total	**2636.44**	**27852.79**	**7879.11**	**1568.91**	**39937.25**

Amount of NPA (Gross) (₹ in crore)

Sub-Standard	348.57
Doubtful 1	224.95
Doubtful 2	180.78
Doubtful 3	93.10
Loss	9.15
Gross NPA Total	**856.55**

Geographical Area-wise NPA: (₹ in crore)

Gross NPA - Domestic	**856.55**
Gross NPA - Overseas	**Nil**
Gross NPA - Total	**856.55**

The amount of Net NPA is ₹ 474.78 crore

The NPA ratios are as under :

- Gross NPA to Gross Advances 3.03%
- Net NPAs to Net Advances 1.70%

Major Industry-wise NPA as on 31st March, 2018 (₹ in crore)

Industry	Gross NPA	Provision Held
Other Textiles	**27.63**	**7.00**

The movement of NPA is as under : (₹ in crore)

i. Opening balance at the beginning of the year (1st April, 2017)	681.98
ii. Additions made during the year	574.87
iii. Reductions during the year	400.30
iv. Closing balance at the end of the year (31st March, 2018) [i + ii - iii]	856.55

The movements of provisions for NPA are as under : (₹ in crore)

Nature	Floating Provision	Specific Provision	Total Provision
i. Opening balance at the beginning of the year (1st April, 2017)	18.65	251.66	270.31
ii. Provisions made during the year	-	303.00	303.00
iii. Write-off / Write-back of excess provisions during the year	-	196.13	196.13
iv. Closing Balance at the end of the year (31st March, 2018) [i+ ii -iii]	18.65	358.53	377.18

Recovery made during the year ended 31st March, 2018 which is directly taken to Income amounts to ₹ 70.58 crore, which includes recovery made during the quarter ended 31st March, 2018 amounts to ₹ 18.22 crore.

The amount of non-performing investment - Nil

The amount of provision held for non-performing investment is Nil

The movement of provisions for depreciation on investments : (₹ in crore)

i. Opening balance at the beginning of the year 1st April, 2017	50.37
ii. Provisions made during the year	85.50
iii. Write-off during the year	-
iv. Write-back of excess provisions during the year	-
v. Closing Balance at the end of the year (31st March, 2018) [i + ii - iii - iv]	135.87

TABLE - DF - 4

CREDIT RISK: DISCLOSURES FOR PORTFOLIO SUBJECT TO THE STANDARDISED APPROACH

Qualitative Disclosures :

The Bank is using the services of the External Credit Rating Agencies approved by Reserve Bank of India, namely a) CRISIL b) ICRA c) CARE d) FITCH India e) Brickwork f) SMERA ratings and g) Infomerics Valuation and Rating Pvt. Ltd to facilitate the corporate borrower customers who enjoy credit facilities above ₹ 5 crore to solicit the ratings. The corporates which are yet to get the approved ratings from these rating agencies are treated as 'unrated'.

The Bank computes risk weight on the basis of external rating assigned, both Long Term and Short Term, for the facilities availed by the borrower. The external ratings assigned are generally facility specific. The Bank follows the below mentioned procedures as laid down in the

Basel III guidelines for usage of external ratings :

- Rating assigned by one rating agency is used for all the types of claims on the borrowing entity.
- Long term ratings are used for facilities with contractual maturity of one year & above.
- Short term ratings are generally applied for facilities with contractual maturity of less than one year.

Quantitative Disclosures :

The exposures after risk mitigation as per standardised approach, (rated and unrated) in the following three major risk buckets, as well as, those that are deducted as per risk mitigation are given below.

(₹ in crore)

Risk Weight	Rated	Unrated	Total
Below 100 %	361.12	22456.65	22817.77
At 100 %	282.78	10896.05	11178.83
More than 100 %	701.21	1323.51	2024.72
Total outstanding after mitigation	1345.11	34676.21	36021.32
Deducted (as per Risk Mitigation)	3.93	4158.64	4162.57

TABLE DF - 5

CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACHES

Qualitative Disclosures :

The Bank has put in place Credit Risk Mitigation and Collateral Management Policy with the primary objective of :

- Mitigation of Credit Risks and enhancing awareness on identification of appropriate collateral taking into account the spirit of Basel III / RBI guidelines
- Optimizing the benefit of Credit Risk Mitigation in computation of capital charge as per the approaches laid down in Basel III / RBI guidelines.

Valuation and methodologies are detailed in Credit Risk Management Policy, Valuation Policy and Loan Policy of the Bank.

The Bank recognises the following Financial Collateral (FC) for Credit Risk Mitigation.

a) Cash or Cash equivalent (Bank Deposits / Certificate of Deposits issued by the Bank, etc.)
b) Gold Jewels
c) Indira Vikas Patras
d) Kisan Vikas Patras
e) National Savings Certificates
f) Life Insurance Policies with a declared surrender value
g) Securities issued by Central and State Governments
h) Debt Securities rated by a recognized Credit Rating Agency where these are either :

- ✪ at least BBB(-) when issued by public sector entities; or
- ✪ at least A when issued by other entities (including Banks and Primary Dealers); or
- ✪ at least PR3 / P3 / F3 / A3 for Short Term Debt Instruments

i) Debt securities not rated by Credit Rating Agency but
- ✱ issued by a Bank and
- ✱ listed on a recognized Stock Exchange; and
- ✱ classified as Senior Debt.

The Bank accepts guarantees from individuals with considerable net worth and the Corporates, besides guarantee issued by Government, other Commercial Banks, ECGC and CGTSI.

Concentration Risk in Credit Risk Mitigation: All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit / ceiling has been prescribed to address the concentration risk in credit risk mitigants recognized by the Bank. The portion of advances subjected to CRM including non-funded advances amounted to 12.42% of outstanding total of funded and non-funded credit. The Bank has ensured legal certainty in the matter of Credit Risk Mitigation as per RBI guidelines.

Quantitative Disclosures :

a. For each separately disclosed credit risk portfolio, the total exposure (after, where applicable, on-or off balance sheet netting) that is covered by eligible financial collateral (FCs) after the application of haircuts is given below :

Portfolio category	Financial collateral	Quantum of exposure covered (₹ in crore)
1. Funded - Credit	Bank's own deposits	892.59
2. Funded - Credit	Gold jewels	2343.57
3. Funded - Credit	LIC / KVP / NSC	4.11
4. Non Funded	Bank's own deposits	504.75

b. For each separately disclosed portfolio, the total exposure (after, on balance sheet netting) that is covered by Guarantees :

Portfolio category	Guaranteed by	Quantum of exposure covered (₹ in crore)
1. Funded - Credit	Central Government	129.59
2. Funded - Credit	ECGC	113.00
3. Funded - Credit	CGTSI	34.42

TABLE DF - 6

SECURITIZATION : DISCLOSURE FOR STANDARDISED APPROACH

Qualitative Disclosures : The Bank has not undertaken any securitization activity.

Quantitative Disclosures : NIL

TABLE DF - 7

MARKET RISK IN TRADING BOOK

Qualitative Disclosures :

Market Risk in trading book is assessed as per the Standardised Duration method. The capital charge for both investments and foreign exchange exposure is computed as per Reserve Bank of India prudential guidelines.

a. Definition of market risk

Market risk refers to the potential losses arising from volatility in interest rates, foreign exchange rates, equity prices and commodity prices. Market risk arises with respect to all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and derivative instruments as well as from balance sheet or structural positions.

b. Portfolios covered under standardized approach

The Bank's portfolio comprises of Government securities, equity shares and forex portfolio.

c. Strategies and processes

1) The Bank has put in place a comprehensive Market Risk Management Framework to address the Market risks (bank wide) including that of the Trading Book.

2) Within the above framework, various policies of the Bank prescribes Limits like Value at Risk (VaR), Duration, Minimum holding level for liquid assets, Exposure limits, Forex open position limits (day light / overnight), Stop-loss limits etc.

3) Risk profiles are analyzed and the effectiveness of risk mitigants is regularly monitored through Mid Office.

4) Adherence to limits are being monitored by dedicated mid office, reporting exceptions to the head of Risk Management Department, independent of Treasury / IBD operational units.

d. Risk Measurement

1) Value at Risk (VaR) numbers are arrived for Trading Book of Central Government securities and Foreign Exchange Position.

2) The positions are marked to market at stipulated intervals. The Duration / Modified Duration for trading book is computed and its adherence to the prescribed duration limits is ensured.

3) The Bank is computing capital charge for both investments and foreign exchange exposure categories using Standardized Duration Approach as required under RBI guidelines.

4) Stress testing analysis is done by applying rate shocks on investment portfolio and also on foreign exchange open position.

Quantitative Disclosures :

The capital requirements for 31st March, 2018 (₹ in crore)

Interest Rate Risk	20.07
Equity Position Risk	31.31
Foreign Exchange Risk	2.00
Total	**53.38**

TABLE DF - 8

OPERATIONAL RISK

Qualitative Disclosures :

Operational Risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events. Operational Risk includes legal risk but excludes strategic and reputation risks.

The Bank has put in place Operational Risk Management Policy duly approved by the Board. This policy outlines the Organisation Structure and covers the process of identification, assessment / measurement and control of various operational risks.

The other policies adopted by the Bank which deal with the management of operational risks are Inspection Policy, Information Security Audit Policy and Policy on Modified Code of Conduct for Know-Your Customer & Anti-Money Laundering Standards.

Operational Risks in the Bank are managed through comprehensive and well-articulated internal control framework. Operational Risk is mitigated by effecting suitable insurance coverage wherever necessary. The Bank has also put in place a compliance cell to supervise KYC & AML guidelines and off site monitoring of high value transactions. For accounting operations in the computerized environment, suitable internal control system is maintained and a separate policy on I.T. Security is in place specifying the internal guidelines on access, control, communications, operations, personal security, business continuity management etc.

Quantitative Disclosures :

Capital charge for Operational Risk is computed as per the Basic Indicator Approach based on the average of the gross income for the previous three years i.e. 2014-15, 2015-16 and 2016-17 as defined in the Master Circular – Basel III Capital Regulations & New Capital Adequacy Framework guidelines. The required capital is ₹ 208.04 crore.

TABLE DF - 9

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Qualitative Disclosures :

Interest rate risk is the risk where changes in the market interest rates might affect a Bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as also the net-worth of the Bank (economic value perspective). The risk from earnings perspective can be measured as impact in the Net Interest Income (NII) or Net Interest Margin (NIM). Similarly, the risk from economic value perspective can be measured as drop in the Economic value of Equity (EVE).

The impact on income (earning perspective) is measured through use of Gap Analysis by applying notional rate shock up to 200 bps as prescribed.

For the calculation of impact on earnings, the Traditional Gap is taken from the Rate Sensitivity statement and based on the remaining period from the mid point of a particular bucket, the impact for change in interest rates up to 200 bps is arrived at for one year time horizon.

The Bank has adopted Duration Gap Analysis for assessing the impact (as a percentage) on the Economic Value of Equity (Economic Value Perspective) by applying a notional interest rate shock of 200 bps. RBI has issued draft guidelines vide DBOD.No. BP. 7 / 21.04.098 / 2005-06 dated 17th April, 2006 on improvements to Banks' Asset Liability Management framework, covering interest rate risk and liquidity risk measurement / reporting frameworks and prudential limits. Subsequently, on 4th November, 2010, RBI issued a circular on Interest Rate Risk using Duration Gap Analysis and these guidelines have been taken into account while calculating IRRBB. The Bank calculates Modified Duration Gap on Assets & Liabilities and arrive at the impact on Economic Value of Equity. The Bank is calculating IRRBB on a monthly basis.

Quantitative Disclosures :

a) The impact of change in Interest Rate i.e. Earnings at Risk for 200 bps interest rate shock as on 31st March, 2018 is ₹117.61 crore.

b) The impact of change in market value of Equity for an interest rate shock of 200 bps as on 31st March, 2018 is 11.10%.

TABLE DF - 10

GENERAL DISCLOSURES FOR EXPOSURES RELATED TO COUNTERPARTY CREDIT RISK

Counterparty Credit Risk (CCR) is the risk that a counter party to a transaction could default before the final settlement of the transaction cash flows. Unlike a firm's exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss to either parties.

Counterparty credit risk in case of derivative contracts arises from the forward contracts. The subsequent credit risk exposures depend on the value of underlying market factors (e.g., interest rates and foreign exchange rates), which can be volatile and uncertain in nature. The Bank does not enter into derivative transactions other than forward contracts.

Credit exposures on forward contracts

The Bank enters into the forward contracts in the normal course of business for proprietary trading and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate and foreign currency risk. Derivative exposures are calculated according to the current exposures method.

Counterparty Credit exposure as on 31st March, 2018 (₹ in crore)

Nature	Notional Amount	Potential Future Exposure	Current exposure	Total credit exposure
Forward contracts	3768.01	72.85	50.39	123.24

The capital requirement for Bank's exposure to Qualified Central Counter Party (QCCP) has been computed for the exposure to Clearing Corporation of India (CCIL) as on 31st March, 2018 amounting to ₹ 53.80 crore with risk weighted assets of ₹ 10.76 crore, which is forming part of total credit risk. In terms of RBI circular dated 28th March, 2013, the Credit Valuation Adjustment (CVA) risk capital charge has been computed, which amounted to ₹ 0.69 crore (the corresponding risk weighted value of ₹ 8.64 crore has also been added to credit risk weighted assets).

3. Composition of Capital Disclosure

TABLE DF - 11

COMPOSITION OF CAPITAL

(₹ in million)

	Basel III common disclosure - 31st March, 2018		Ref No.
	Common Equity Tier 1 Capital: Instruments and Reserves		
1.	Directly issued qualifying common share capital plus related stock surplus (share premium)	9053.53	-
2.	Retained earnings	32290.53	-
3.	Accumulated other comprehensive income (and other reserves)	-	-
4.	Directly issued capital subject to phase out from CET1 (only applicable to Non-Joint Stock Companies)	-	-
	Public sector capital injections grandfathered until 1st January, 2018	-	-
5.	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
6.	Common Equity Tier 1 Capital before regulatory adjustments	41344.06	-
	Common Equity Tier 1 Capital : Regulatory Adjustments		
7.	Prudential valuation adjustments	-	-
8.	Goodwill (net of related tax liability)	-	-
9.	Intangibles other than mortgage-servicing rights (net of related tax liability)	138.96	-
10.	Deferred tax assets	-	-
11.	Cash-flow hedge reserve	-	-
12.	Shortfall of provisions to expected losses	-	-
13.	Securitisation gain on sale	-	-
14.	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
15.	Defined-benefit pension fund net assets	-	-
16.	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	-	-
17.	Reciprocal cross-holdings in common equity	0.54	-
18.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
19.	Significant investments in the common stock of Banking, Financial and Insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-

(₹ in million)

	Basel III common disclosure - 31st March, 2018		Ref No.
20.	Mortgage Servicing Rights (amount above 10% threshold)	-	-
21.	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
22.	Amount exceeding the 15% threshold	-	-
23.	of which : significant investments in the common stock of financial entities	-	-
24.	of which : Mortgage Servicing Rights	-	-
25.	of which : Deferred Tax Assets arising from temporary differences	-	-
26.	National specific regulatory adjustments (26a+26b+26c+26d)	-	-
26(a).	of which : Investments in the equity capital of unconsolidated insurance subsidiaries	-	-
26(b).	of which : Investments in the equity capital of unconsolidated non-financial subsidiaries	-	-
26(c).	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the Bank	-	-
26(d).	of which : Unamortised pension funds expenditures	-	-
27.	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
28.	Total regulatory adjustments to Common Equity Tier 1	139.50	-
29.	Common Equity Tier 1 Capital (CET1)	41204.56	-
	Additional Tier 1 Capital : Instruments		
30.	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	-	-
31.	of which : classified as equity under applicable Accounting Standards (Perpetual Non-Cumulative Preference Shares)	-	-
32.	of which : classified as liabilities under applicable Accounting Standards (Perpetual Debt Instruments)	-	-
33.	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-
34.	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	-
35.	of which : instruments issued by subsidiaries subject to phase out	-	-
36.	Additional Tier 1 Capital before regulatory adjustments	-	-
	Additional Tier 1 Capital: Regulatory Adjustments		
37.	Investments in own Additional Tier 1 instruments	-	-
38.	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-

(₹ in million)

	Basel III common disclosure - 31st March, 2018		Ref No.
39.	Investments in the capital of Banking, Financial and Insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
40.	Significant investments in the capital of Banking, Financial and Insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
41.	National specific regulatory adjustments (41a+41b)	-	-
41(a).	Investments in the Additional Tier 1 Capital of unconsolidated Insurance Subsidiaries	-	-
41(b).	Shortfall in the Additional Tier 1 Capital of majority owned financial entities which have not been consolidated with the Bank	-	-
42.	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
43.	**Total Regulatory adjustments to Additional Tier 1 Capital**	-	-
44.	**Additional Tier 1 Capital (AT1)**	-	-
44(a).	**Additional Tier 1 Capital reckoned for capital adequacy**	-	-
45.	**Tier 1 Capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	41204.56	-
	Tier 2 Capital : Instruments and Provisions		
46.	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-
47.	Directly issued capital instruments subject to phase out from Tier 2	-	-
48.	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-
49.	of which : instruments issued by subsidiaries subject to phase out	-	-
50.	Provision include the following a) Investment Reserve ₹ 23.80 b) Provision for Standard Asset ₹ 1053.80 c) Provision for Country Risk Exposure ₹ 22.50 d) Provision for Unhedged Exposure ₹ 19.64	1119.74	-
51.	**Tier 2 Capital before Regulatory Adjustments**	**1119.74**	-
	Tier 2 Capital: Regulatory Adjustments		
52.	Investments in own Tier 2 instruments	-	-
53.	Reciprocal cross-holdings in Tier 2 instruments	Nil	-
54.	Investments in the capital of Banking, Financial and Insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the Bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-

(₹ in million)

	Basel III common disclosure - 31st March, 2018		Ref No.
55.	Significant investments in the Capital of Banking, Financial and Insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56.	National specific regulatory adjustments (56a+56b)	-	-
56(a).	of which : Investments in the Tier 2 Capital of unconsolidated Insurance Subsidiaries	-	-
56(b).	of which : Shortfall in the Tier 2 Capital of majority owned financial entities which have not been consolidated with the Bank	-	-
57.	**Total regulatory adjustments to Tier 2 Capital**	Nil	-
58.	**Tier 2 Capital (T2)**	1119.74	-
58(a).	**Tier 2 Capital reckoned for Capital adequacy**	1119.74	-
58(b).	**Excess Additional Tier 1 Capital reckoned as Tier 2 Capital**	-	-
58(c).	**Total Tier 2 Capital admissible for Capital adequacy (58a+58b)**	1119.74	-
59.	**Total Capital (TC = T1 + Admissible T2) (45 + 58c)**	42324.30	-
60.	Total risk weighted assets (60a + 60b + 60c)	260870.09	-
60(a).	of which : total credit risk weighted assets	228192.44	-
60(b).	of which : total market risk weighted assets	6673.03	-
60(c).	of which : total operational risk weighted assets	26004.62	-
	Capital Ratios		
61.	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.79%	-
62.	Tier 1 (as a percentage of risk weighted assets)	15.79%	-
63.	Total capital (as a percentage of risk weighted assets)	16.22%	-
64.	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	7.375%	-
65.	of which : capital conservation buffer requirement	1.875%	-
66.	of which : Bank specific countercyclical buffer requirement	-	-
67.	of which : G-SIB buffer requirement	-	-
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	- 15.79%	- -
	National minima (if different from Basel III)		
69.	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	-
70.	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	-
71.	National total capital minimum ratio (if different from Basel III minimum) (including CCB upto 31st December, 2018)	10.875%	-
	Amounts below the thresholds for deduction (before risk weighting)		
72.	Non-significant investments in the capital of other financial entities	-	-
73.	Significant investments in the common stock of financial entities	-	-
74.	Mortgage Servicing Rights (net of related tax liability)	-	-
75.	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-

(₹ in million)

	Basel III common disclosure - 31st March, 2018		Ref No.
	Applicable caps on the inclusion of provisions in Tier 2		
76.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to Standardised Approach (prior to application of cap)	-	-
77.	Cap on inclusion of provisions in Tier 2 under standardised approach	-	-
78.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to Internal Ratings-Based approach (prior to application of cap)	-	-
79.	Cap for inclusion of provisions in Tier 2 under Internal Ratings-Based approach	-	-
	Capital instruments subject to phase-out arrangements (only applicable between 31st March, 2018 and 31st March, 2022)		
80.	Current cap on CET1 instruments subject to phase out arrangements	NA	-
81.	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-
82.	Current cap on AT1 instruments subject to phase out arrangements	-	-
83.	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-
84.	Current cap on T2 instruments subject to phase out arrangements	-	-
85.	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

Notes to the template

(₹ in million)

Row No. of the template	Particulars	Amount
10.	Deferred tax assets associated with accumulated losses Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability Total as indicated in row 10	-
19.	If investments in Insurance Subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of Bank of which : Increase in Common Equity Tier 1 Capital of which : Increase in Additional Tier 1 Capital of which : Increase in Tier 2 Capital	-
26(b).	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then : (i) Increase in Common Equity Tier 1 Capital (ii) Increase in Risk Weighted Assets	-
44(a).	Excess Additional Tier 1 Capital not reckoned for Capital Adequacy (difference between Additional Tier 1 Capital as reported in row 44 and admissible Additional Tier 1 Capital as reported in 44(a) of which : Excess Additional Tier 1 Capital which is considered as Tier 2 Capital under row 58(b)	-
50.	Eligible Provisions included in Tier 2 Capital	1119.74
	Eligible Revaluation Reserves included in Tier 2 Capital	-
	Total of row 50	1119.74
58(a).	Excess Tier 2 Capital not reckoned for Capital Adequacy (difference between Tier 2 Capital as reported in row 58 and T2 as reported in 58(a)	-

Table DF - 12

COMPOSITION OF CAPITAL - RECONCILIATION REQUIREMENTS

Step 1

(₹ in million)

		Balance Sheet as in financial statements	Balance Sheet under regulatory scope of consolidation
		As on 31st March, 2018	As on 31st March, 2018
A	**Capital & Liabilities**		
I	Paid-Up Capital	664.73	
	Reserves & Surplus	40967.62	
	Minority Interest	-	
	Total Capital	**41632.35**	
II	Deposits	**328526.22**	
	of which : Deposits from Banks	453.36	
	of which : Customer deposits	328072.86	
	of which : Other Deposits (pl. specify)	-	
III	Borrowings	**17358.81**	
	of which : From RBI (REPO)	10540.00	
	of which : From Banks	1100.00	
	of which : From other Institutions & Agencies	5718.81	
	of which : Others (pl. specify) Outside India	0.00	
	of which : Capital Instruments	0.00	
IV	Other Liabilities & Provisions	**11855.07**	
	Total	**399372.45**	
B	**Assets**		
I	Cash and Balances with Reserve Bank of India	**18617.98**	NOT APPLICABLE
	Balance with Banks and Money at Call and Short Notice	**7746.46**	
II	Investments	**78791.06**	
	of which : Government Securities	76343.81	
	of which : Other Approved Securities	-	
	of which : Shares	102.13	
	of which : Debentures & Bonds	251.97	
	of which : Subsidiaries / Joint Ventures / Associates	-	
	of which : Others (Commercial Papers, Mutual Funds etc.)	2093.15	
III	Loans and Advances	**278527.86**	
	of which : Loans and Advances to Banks	0.00	
	of which : Loans and Advances to Customers	278527.86	
IV	Fixed Assets	**2231.26**	
V	Other Assets	**13457.83**	
	of which : Goodwill and Intangible Assets	-	
	of which : Deferred Tax Assets	400.13	
VI	Goodwill on Consolidation	-	
VII	Debit Balance in Profit & Loss Account	-	
	Total Assets	**399372.45**	

Step 2

1) As the Bank is not having any subsidiary, no disclosure relating to any legal entity for regulatory consolidation is made.

2) The entire paid up capital of the Bank amounting to ₹ 664.73 mn is included in CET I. (refer Item I of DF-11)

3) The break up for Reserves & Surplus ₹ 40,967.62 mn as shown in the Bank's financial statements is given hereunder for the purpose of reconciliation for calculation of Regulatory Capital in DF-11.

(₹ in million)

As per Balance Sheet	Amount	As shown in DF - 11 Capital
a) Statutory Reserves	10860.00	Included in Regulatory CET I capital DF-11 (Sl.No.2)
b) Capital Reserves	1195.26	Included in Regulatory CET I capital DF-11 (Sl.No.2)
c) Share Premium	8388.79	Included in Regulatory CET I capital DF-11 (Sl.No.1)
d) General Reserves	17265.00	Included in Regulatory CET I capital DF-11 (Sl.No.2)
e) Investment Reserve	23.80	Included in Regulatory Tier II capital DF-11 (Sl.No.50)
f) Special Reserve under IT	2860.00	Included in Regulatory CET I capital DF-11 (Sl.No.2)
g) Balance in P&L	374.77	Included in Regulatory CET I capital DF-11 (Sl.No.2)
Total	**40967.62**	

4) Proposed Dividend & tax thereon amounting to ₹ 264.50 mn has been deducted from Retained earnings shown in DF - 11 (Sl. No.2)

5) Other Liabilities - The following subheads are included in Other Liabilities in the Balance Sheet

a) Provision for Standard Assets - ₹ 1,053.80 mn

b) Provision for Unhedged Foreign Currency Exposure (UFCE) - ₹ 19.64 mn

c) Provision for Country Risk Exposure - ₹ 22.50 mn

However they are shown under Tier II capital for computation of Regulatory Capital (Sl.No.50 : DF-11) as noted in brackets as per extant RBI guidelines.

Step 3

(₹ in million)

Extract of Basel III common disclosure Table DF - 11
Common Equity Tier 1 Capital: Instruments and Reserves

		Component of regulatory capital reported by Bank	Source based on reference numbers / letters of the Balance Sheet under the regulatory scope of consolidation from step 2
1.	Directly issued qualifying common share (and equivalent for Non-Joint Stock Companies) capital plus related stock surplus	9053.53	2 & 3 (c)
2.	Retained earnings	32290.53	3 (a, b, d, f & g) minus 4
3.	Accumulated other Comprehensive Income (and Other Reserves)	-	
4.	Directly issued capital subject to phase out from CET1 (only applicable to Non-Joint Stock Companies)	-	
5.	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6.	Common Equity Tier 1 Capital before regulatory adjustments	41344.06	(Total of 1 & 2)
7.	Prudential valuation adjustments	-	
8.	Goodwill (net of related tax liability)	-	

Table DF - 13

MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Table DF - 13 : Main Features of Regulatory Capital Instruments (Equity Shares & Bond Series I, II)

	Description	Equity Shares	Bond Series II
1.	Issuer	City Union Bank Ltd	NIL
2.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for Private Placement)	INE491A01021	
3.	Governing law(s) of the instrument	Applicable Indian Statutes and Regulatory Requirements	
	Regulatory Treatment		
4.	Transitional Basel III rules	Common Equity Tier I	
5.	Post-transitional Basel III rules	Common Equity Tier I	
6.	Eligible at solo / group / group & solo	Solo	
7.	Instrument type	Common Equity Shares	
8.	Amount recognized in regulatory capital (₹ in million, as of most recent reporting date)	664.73 million	
9.	Par value of instrument	₹ 1 per equity share	
10.	Accounting classification	Shareholder's Equity	
11.	Original date of issuance	Various Dates	
12.	Perpetual or Dated	Perpetual	
13.	Original maturity date	No Maturity	
14.	Issuer call subject to prior supervisory approval	Not Applicable	
15.	Optional call date, contingent call dates and redemption amount	Not Applicable	
16.	Subsequent call dates, if applicable Coupons / dividends	Not Applicable Dividend	
17.	Fixed or Floating Dividend / Coupon	Not Applicable	
18.	Coupon rate and any related index	Not Applicable	
19.	Existence of a Dividend Stopper	Not Applicable	

Table DF - 13 : Main Features of Regulatory Capital Instruments (Equity Shares & Bond Series I, II)

	Description	Equity Shares	Bond Series II
20.	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	
21.	Existence of step up or other incentive to redeem	No	
22.	Non cumulative or cumulative	Non cumulative	
23.	Convertible or non-convertible	Not Applicable	
24.	If convertible, conversion trigger(s)	Not Applicable	
25.	If convertible, fully or partially	Not Applicable	
26.	If convertible, conversion rate	Not Applicable	
27.	If convertible, mandatory or optional conversion	Not Applicable	
28.	If convertible, specify instrument type convertible into	Not Applicable	
29.	If convertible, specify issuer of instrument it converts into	Not Applicable	NIL
30.	Write-down feature	No	
31.	If write-down, write-down trigger(s)	Not Applicable	
32.	If write-down, full or partial	Not Applicable	
33.	If write-down, permanent or temporary	Not Applicable	
34.	If temporary write-down, description of write-up mechanism	Not Applicable	
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated Claim at the time of liquidation	
36.	Non-compliant transitioned features	No	
37.	If yes, specify non-compliant features	No	

Tier II Bond of ₹ 10.00 crore issued on 30th March, 2007 was redeemed on its due date i.e. 30th April, 2017.

Table DF - 14

FULL TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS

The details of the Tier II Capital [Bonds] raised by the Bank

NIL

Table DF - 15

REMUNERATION

Qualitative Disclosures :

(a)	Information relating to the composition and mandate of the Remuneration Committee.	Compensation and Remuneration Committee comprising of five members constituted to oversee the framing, review and implementation of Compensation Policy.
(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	Key Features: i) Board oversees the design of the compensation package and operations. ii) Compensation commensurate with the responsibility and accountability. Objectives: a) Alignment of compensation with prudent risk taking. b) Effective Supervisory oversight. c) Sound Compensation practices.
(c)	Description of the ways in which current and future risks are taken in to account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	Compensation related to the types of risks and symmetric with risk outcomes.
(d)	Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.	Qualitative features such as skills, knowledge and abilities are factored in.
(e)	A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	i) ESOP and Reservation in Rights Issue to be the components of share based payment. ii) Exgratia payment to be denied only in extreme cases of indiscipline, misuse of trust etc.
(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilizes and the rationale for using these different forms.	Financial incentives, Exgratia and ESOPs form part of variable remuneration components.

Quantitative Disclosures :

		31st March, 2018	31st March, 2017
(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	5 meetings were held during the financial year (Compensation and Remuneration Committee) and the total remuneration and commission paid during the year ₹ 35,90,411/- (including commission of ₹ 33,50,411/-).	4 meetings were held during the financial year (Compensation and Remuneration Committee) and the total remuneration paid during the year ₹ 2,00,000/-
(h)	(i) Number of employees having received a variable remuneration award during the financial year. (ii) Number and total amount of sign - on awards made during the financial year. (iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus. (iv) Details of severance pay, in addition to accrued benefits, if any.	NIL	NIL
(i)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year.	NIL NIL	NIL NIL
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	NIL	NIL
(k)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments. (ii) Total amount of reductions during the financial year due to ex-post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.	NIL	NIL

Table DF - 16

EQUITIES - DISCLOSURE FOR BANKING BOOK POSITIONS

There are no equity investments as on 31st March, 2018 under Banking Book (HTM).

Table DF - 17

LEVERAGE RATIO

Leverage Ratio is a non-risk based measure of all exposures for the Tier-I Capital. The Leverage Ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The Basel III Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage. Presently the indicative benchmark Leverage Ratio prescribed is 4.50% (minimum).

$$\textit{Leverage Ratio} = \frac{\textit{Capital Measure (Tier I Capital)}}{\textit{Exposure Measure}}$$

SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE

(₹ in million)

Sl. No.	Item	31st March, 2018
1.	Total consolidated assets as per published financial statements	399372.45
2.	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(0.54)
3.	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
4.	Adjustments for derivative financial instruments	1232.40
5.	Adjustment for securities financing transactions (i.e. Repos and similar Secured Lending)	-
6.	Adjustment for Off-Balance Sheet items (i.e. conversion to credit equivalent amounts of Off- Balance Sheet exposures)	19276.32
7.	Other adjustments (intangible)	(138.96)
8.	**Leverage Ratio exposure**	**419741.67**

Table DF - 18

LEVERAGE RATIO COMMON DISCLOSURE – 31st March, 2018

(₹ in million)

Sl. No.	Item	Leverage ratio framework
	On - Balance Sheet Exposures	
1.	On-Balance Sheet items (excluding Derivatives and SFTs, but including Collateral)	399372.45
2.	(Asset amounts deducted in determining Basel III Tier 1 Capital)	(139.50)
3.	**Total On-Balance Sheet exposures (excluding Derivatives and SFTs) (sum of lines 1 and 2)**	**399232.95**
	Derivative Exposures	
4.	Replacement cost associated with all Derivative transactions (i.e. net of eligible cash variation margin)	1232.40
5.	Add-on amounts for PFE associated with all Derivative transactions	-
6.	Gross-up for derivatives collateral provided where deducted from the Balance Sheet Assets pursuant to the operative accounting framework	-
7.	(Deductions of receivables assets for cash variation margin provided in Derivative transactions)	-
8.	(Exempted CCP leg of client-cleared trade exposures)	-
9.	Adjusted effective notional amount of written credit Derivatives	-
10.	(Adjusted effective notional offsets and add-on deductions for written credit Derivatives)	-
11.	**Total Derivative Exposures (sum of lines 4 to 10)**	**1232.40**
	Securities financing transaction exposures	
12.	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13.	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14.	CCR exposure for SFT assets	-
15.	Agent transaction exposures	-
16.	**Total securities financing transaction exposures (sum of lines 12 to 15)**	-
	Other off-balance sheet exposures	
17.	Off-balance sheet exposure at gross notional amount	48593.00
18.	(Adjustments for conversion to credit equivalent amounts)	(29316.68)
19.	**Off-Balance Sheet items (sum of lines 17 and 18)**	**19276.32**
	Capital and total exposures	
20.	Tier 1 Capital	41204.56
21.	Total exposures (sum of lines 3, 11, 16 and 19)	419741.67
	Leverage Ratio	
22.	**Basel III Leverage Ratio**	**9.82%**

OTHER OFFICES

INTERNATIONAL BANKING DIVISION & DP DIVISION
I[st] Floor, No.48,
Mahalakshmi Street, T. Nagar,
Chennai - 600 017.

SERVICE BRANCH
706, Anna Salai
Chennai - 600 006.

COMPUTER SYSTEM DEPARTMENT
1[st] & 2[nd] Floor,
706, Anna Salai,
Chennai - 600 006.

BUSINESS DEVELOPMENT CENTRE
1[st] Floor, 63-A, C.P.Ramaswami Road,
Abiramapuram, Alwarpet,
Chennai - 600 018.

CUSTOMER DATA PROCESSING CELL (CDPC)
2[nd] Floor,
No.149, T.S.R Big Street,
Kumbakonam - 612 001.

CENTRALISED LOAN OPENING CELL (CLOC)
3[rd] Floor,
No.149, T.S.R Big Street,
Kumbakonam - 612 001.

CURRENCY CHEST
No.24B, Gandhi Nagar,
Kumbakonam - 612 001

CENTRAL PROCESSING CENTRES (CPCs)

Chennai - Abiramapuram
2[nd] Floor,
63-A, C.P.Ramaswami Road,
Abiramapuram, Alwarpet,
Chennai - 600 018.

Chennai - Tambaram
24/38, Rajaji Salai
(Opp. To PF Office),
Tambaram (West),
Kancheepuram Dt.,
Chennai - 600 045.

Coimbatore
27-30, Sarojini Street,
Ram Nagar,
Coimbatore - 641009.

Hyderabad
Sama Towers,
Liberty X Roads,
Himayat Nagar,
Hyderabad - 500029

Madurai
1[st] Floor, No.13, II St.,
Kamarajar Nagar,
Chokkikulam,
Madurai - 625 002.

Trichy
Kaliammal Koil Street,
Indira Gandhi College Campus
Tiruchirapalli - 620002.

Bengaluru
I[st] Floor, 253, 16[th] Cross,
V Phase, 24[th] Main,
J P Nagar,
Bengaluru - 560 078.

Vijayawada
29-2-50 & 50/1, Ramamandiram
Street, Governorpet,
Vijayawada - 520 002.

Erode
907, Panner Selvam Park,
Brough Road, Erode - 638 001.

Mumbai
349-A, S-1, Silvanto,
Central Avenue Road,
Chembur, Mumbai - 400 071.

Vellore
1[st] Floor, No.29, Arcot Road,
(Ida Scudder Road),
Near Murugan Temple,
Vellore - 632 004.

Puducherry
53 & 55, (Old No.27), Mission Street,
Singapore Plaza, Puducherry - 605 001.

New Delhi
1[st] Floor, 18/7, Arya Samaj Road,
Karolbagh, New Delhi - 110 005.

Kumbakonam
1[st] Floor, No.149, T.S.R Big Street,
Kumbakonam - 612 001.

DECADE OF PROGRESS

(₹ in crore)

Year	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
Paid up Capital	32.00	39.96	40.50	40.82	47.44	54.27	59.66	59.82	60.11	66.47
Reserve fund and Other Reserves	628.92	785.68	966.12	1202.28	1593.22	1970.66	2635.87	2992.18	3510.09	4096.76
Deposits	8206.62	10284.59	12914.29	16340.76	20304.75	22016.89	24074.96	27158.13	30115.74	32852.62
Advances	5645.25	6833.46	9255.46	12137.46	15246.06	16096.84	17965.50	21056.92	23832.70	27852.79
Investments	2397.46	3210.43	3616.23	4586.19	5266.80	5953.56	5870.67	6826.45	7031.45	7879.11
Net Profit	122.13	152.76	215.05	280.25	322.02	347.07	395.02	444.69	502.77	592.00
Dividend	75%	75%	85%	100%	100%	100%	110%	120%	30%	30%
No. of Branches	207	222	246	300	375	425	475	525	550	600
Total No. of Staff	2452	2628	2836	3347	3785	4215	4364	4517	4689	5319
Intrinsic value of Shares (₹)	20.65	20.64	24.85	30.45	30.44	37.31	45.18	51.02	59.40	62.63
Earning Rate (%)	381.66	381.90	530.95	686.55	597.51	639.52	662.12	743.38	836.42	890.63

CITY UNION BANK LIMITED

ECS / NECS / RTGS / NEFT MANDATE FORM FOR PAYMENT OF DIVIDEND ON EQUITY SHARES

(In case of share held in physical form – send it to Registrar & Share Transfer Agent (RTA),
M/s. Karvy Computershare Pvt. Ltd., Hyderabad)
(In case of share held in demat form – send it to your Depository Participant)

Name of the First / Sole shareholder						
Regd. Folio No.						
No. of Shares						
Bank A/c. Type [Please tick (✓)]	Saving A/c		Current A/c		Cash Credit A/c	
Bank Account Number						
Name of the Bank						
Branch Name						
IFSC Code						
Full Address of the Branch						
9-Digit Code number of the Bank & Branch appearing on the MICR cheque issued by the Bank (Please attach Photocopy of a cheque or a blank cancelled cheque issued by your bank relating to your above account for verifying the accuracy of the code).						

DECLARATION

I agree to avail the ECS / NECS / RTGS / NEFT facility as and when implemented by CITY UNION BANK LIMITED for payment of dividend to me.

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I would not hold CITY UNION BANK LIMITED / RTA responsible in any manner.

I further undertake to inform CITY UNION BANK LIMITED / RTA any change in my Bank, Branch and Account Number.

(Signature of the First / Sole shareholder)

Place :

Date :

CITY UNION BANK LIMITED

NOMINATION FORM

[Pursuant to Section 72 of the Companies Act, 2013 and Rule 19 (1) of the Companies (Share Capital and Debentures) Rules, 2014]

I / We_____ the holder(s) of the securities particulars of which are given hereunder wish to make nomination and do hereby nominate the following persons in whom shall vest, all the rights in respect of such securities in the event of my/our death.

(1) PARTICULARS OF THE SECURITIES (in respect of which nomination is being made)

Nature of securities	Regd. Folio No.	No. of securities	Certificate No.	Distinctive No.

(2) PARTICULARS OF NOMINEE(S)

Name:	Date of Birth: ____/____/_____		Please affix recent passport size photograph of the Nominee signed across
Father's / Mother's / Spouse's name:	Occupation:	Nationality:	
e-mail Id:	Relationship with the Security Holder:		
Address:			
Phone No.	Pin code:		

(3) IN CASE NOMINEE IS A MINOR

Date of Birth: ___/___/_____	Date of attaining majority: ____/____/_____	Name of guardian:
Address of guardian:		
Pin code:		

Name of the Security Holder	Signature
1.	
2.	
Name of Witness:	Signature of Witness with date:
Address of Witness:	
Place:	
Date:	

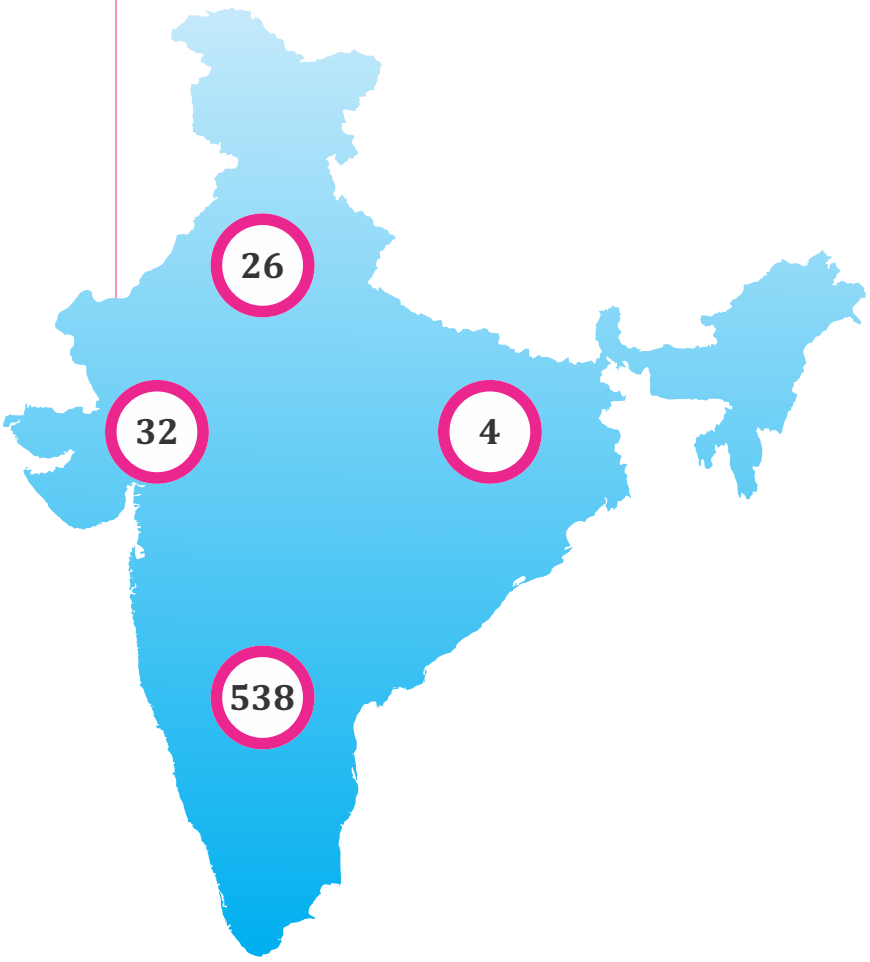
Note : The above form should be filled and submitted with the Bank's Registrar and Share Transfer Agents - Karvy Computershare Pvt. Ltd., (Unit: CITI UNION BANK LIMITED) situated at Karvy Selenium Tower B, Plot No. 31 & 32, Financial District, Gachibowli, Nanakramguda, Serilingampally, Hyderabad - 500032, Telengana State, India.

600th Branch at Udaipur - Rajasthan State



*Inaugurated by **Shri Hans Raj Choudhary, President,** Udaipur Chamber of Commerce & Industry on 26th March, 2018*

REGIONWISE BRANCHES

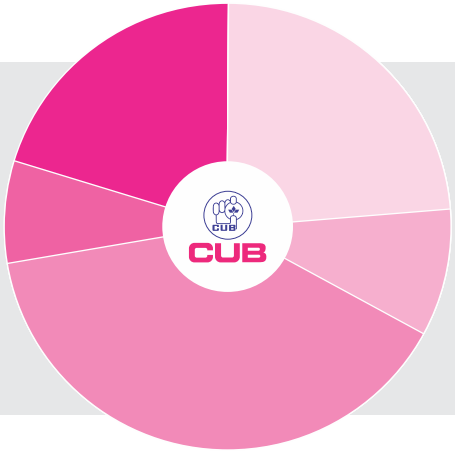


BANK NETWORK

987
ATMs

634
CASH DEPOSIT & WITHDRAWAL MACHINES

600
BRANCHES



Metro	142
Rural	45
Semi Urban	247
Unbanked Rural	44
Urban	122



Annual General Meeting held at Kumbakonam on 23rd August, 2017





Lakshmi
India's first banking
Robot

"At the pinnacle of innovation, infusing artificial intelligence and enhanced machine learning to provide impeccable service"

CUB
Trust and Excellence
SINCE 1904

CITY UNION BANK LIMITED

CIN: L65110TN1904PLC001287

Registered Office
149, T.S.R (Big) Street,
Kumbakonam - 612 001.
Phone: 0435 - 2432322
e-mail: shares@cityunionbank.com
Website: www.cityunionbank.com

Administrative Office
"Narayana", No. 24-B, Gandhi Nagar,
Kumbakonam - 612 001.
Phone: 0435 - 2402322, 2401622, 2402412
Fax: 0435 - 2431746
e-mail: shares@cityunionbank.com
Website: www.cityunionbank.com

Customer Call Center
044 - 71225000, 7299075077 / 78 / 79 / 80 / 81 / 82
e-mail: customercare@cityunionbank.com